<table>
<thead>
<tr>
<th>TIME</th>
<th>PROGRAM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>11 Sep 2011</strong></td>
<td><strong>Sunset Cocktails</strong> (Bukit Private Club – Front Beach)</td>
<td></td>
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<tr>
<td>19:00 – 21:00</td>
<td><strong>Day 1: ABMF Sub-Forum 1 (Puri Kencana Ballroom)</strong></td>
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<tr>
<td>08:30 – 09:00</td>
<td><strong>Registration</strong></td>
<td></td>
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<tr>
<td>09:00 – 09:15</td>
<td><strong>Welcoming Remarks by</strong> Chairman or Executive Secretary, BAPEPAM-LK</td>
<td></td>
</tr>
<tr>
<td><strong>Part 1: Discussion on the Draft market Guides: Reporting by the ADB Consultants</strong></td>
<td></td>
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</tr>
<tr>
<td>09:15 – 09:25</td>
<td><strong>Opening Remarks by SF1 Chair Mr. Tetsutaro Muraki</strong></td>
<td></td>
</tr>
<tr>
<td>09:25 – 10:30</td>
<td><strong>Highlights of the SF1 Report by Prof Shigehito Inukai, ADB consultant</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>- Q&amp;A</strong></td>
<td></td>
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<tr>
<td>10:30 – 10:45</td>
<td><strong>Coffee Break</strong></td>
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<tr>
<td><strong>Part 2: Reporting to the ABMI TF Meeting</strong></td>
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<tr>
<td>10:45 – 12:15</td>
<td><strong>Next step for SF1 and work plan</strong></td>
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<tr>
<td></td>
<td><strong>- Development of Reg S-type offerings in Asia</strong></td>
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<td></td>
<td><strong>- Malaysia’s case: Mr. Thomas Meow, CIMB</strong></td>
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<td></td>
<td><strong>- Thailand’s case: Ms. Chansuda Raktabutr, SEC Thailand</strong></td>
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<tr>
<td></td>
<td><strong>- Japan’s case: Mr. Tetsutaro Muraki, Tokyo AIM</strong></td>
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<tr>
<td></td>
<td><strong>- Presentation by KOFIA on self-regulation and rules</strong></td>
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<tr>
<td></td>
<td><strong>- Presentation on draft reporting to ABMI TF3 by Mr. Satoru Yamadera, the ADB Secretariat</strong></td>
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<tr>
<td></td>
<td><strong>- Discussion</strong></td>
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<tr>
<td>12:15 – 13:30</td>
<td><strong>Lunch Break (Taman Gita)</strong></td>
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<tr>
<td><strong>Part 3: Information Session: how to improve market monitoring and information supply chain in the region</strong></td>
<td></td>
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<tr>
<td>13:30 – 15:00</td>
<td><strong>Global Legal Entity Identifier (LEI) System: possible impact on regulation and the markets in Asia</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>- Presentation by ASIFMA</strong></td>
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<tr>
<td></td>
<td><strong>- Q&amp;A and discussion</strong></td>
<td></td>
</tr>
<tr>
<td>15:00 – 15:15</td>
<td><strong>Coffee Break</strong></td>
<td></td>
</tr>
<tr>
<td>15:15 – 16:15</td>
<td><strong>How to improve market data collection in Asia: Case of Thailand Financial Instruments Information Center (TFIIC)</strong></td>
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<tr>
<td></td>
<td><strong>- Presentation by Ms. Pusadee Ganjarerndee, Bank of Thailand</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>- Q&amp;A and discussion</strong></td>
<td></td>
</tr>
<tr>
<td>16:15 – 17:45</td>
<td><strong>How to improve ASEAN+3 Bond Market Information Supply Chain</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>- Presentation by ADB ABO Team: How to improve data collection by Mr. John Stuermer and Ms. Roselyn Regalado</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>- Presentation by Mr. Ignatius Girendroheru, Indonesia Bond Price Agency</strong></td>
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<tr>
<td></td>
<td><strong>- Presentation by Mr. Shaharul Zain, Bond Price Agency Malaysia</strong></td>
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<tr>
<td></td>
<td><strong>- Presentation by Mr. Ryuichi Shiina, JSDA</strong></td>
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<tr>
<td></td>
<td><strong>- Q&amp;A and discussion</strong></td>
<td></td>
</tr>
<tr>
<td>17:45 – 18:00</td>
<td><strong>Closing Remarks by SF1 Chair</strong></td>
<td></td>
</tr>
<tr>
<td>19:00 – 21:00</td>
<td><strong>Gala Dinner</strong> (Rumah Bali Restaurant)**</td>
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Asean+3 Bond Markets Comparative Analysis

SF-1

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## Legal Tradition related to Capital market

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<th>Main</th>
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<tbody>
<tr>
<td>China</td>
<td>Civil law or civil law system</td>
<td>UK law / US law / Japanese law</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>UK law / Common law</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Civil law or civil law system / US law</td>
<td>Dutch law / Islamic law</td>
</tr>
<tr>
<td>Japan</td>
<td>Civil law or civil law system</td>
<td>UK law / US law / EU law</td>
</tr>
<tr>
<td>Korea</td>
<td>Civil law or civil law system</td>
<td>UK law / US law / Japanese law</td>
</tr>
<tr>
<td>Malaysia</td>
<td>UK law / Common law</td>
<td>Islamic law</td>
</tr>
<tr>
<td>Philippines</td>
<td>US law</td>
<td>Spanish law</td>
</tr>
<tr>
<td>Singapore</td>
<td>UK law / Common law</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Civil law or civil law system</td>
<td>UK law / US law / Islamic law</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Civil law or civil law system</td>
<td>French law</td>
</tr>
<tr>
<td>Country</td>
<td>Resident Issuer</td>
<td>Non-Resident Issuer</td>
</tr>
<tr>
<td>--------------------</td>
<td>----------------------------</td>
<td>---------------------------------------------------------</td>
</tr>
<tr>
<td>China</td>
<td>Chinese Law</td>
<td>Chinese Law</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>Laws of Hong Kong</td>
<td>Legal jurisdiction of the issuer (no restriction by the government)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesian law</td>
<td>Indonesian law</td>
</tr>
<tr>
<td>Japan</td>
<td>Japanese Law</td>
<td>Japanese Law</td>
</tr>
<tr>
<td>Korea</td>
<td>Korean Law</td>
<td>Korean Law</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Malaysian law</td>
<td>Malaysian law, UK(English) law, US(NY) law</td>
</tr>
<tr>
<td>Philippines</td>
<td>Philippine law</td>
<td>Philippine law</td>
</tr>
<tr>
<td>Singapore</td>
<td>Singapore law</td>
<td>Singapore law, UK(English) law, US(NY) law</td>
</tr>
<tr>
<td>Thailand</td>
<td>Thai law</td>
<td>Thai law</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Vietnamese law (Securities law, Enterprise law etc.)</td>
<td>Not concentrated</td>
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Competent Authority (Regulator) of Bond Market and SRO

<table>
<thead>
<tr>
<th>Country</th>
<th>Main Market Authority</th>
<th>SRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Inter-bank Bond Market (OTC): People’s Bank of China (PBOC)</td>
<td>Treasury Bonds: The State Council, Ministry of Finance (MOF), PBOC</td>
</tr>
<tr>
<td></td>
<td>Foreign Currency Policy: People’s Bank of China (PBOC)</td>
<td>CP, SCP and MTNs: PBOC</td>
</tr>
<tr>
<td></td>
<td>State Administration of Foreign Exchange (SAFE)</td>
<td>Listed Corporate Bonds: CSRC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enterprise Bonds, State Owned Enterprise (SOE) Bonds: National</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development and Reform Commission (NDRC)</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>Hong Kong Monetary Authority (HKMA)</td>
<td>Securities and Futures Commission of Hong Kong (SFC)</td>
</tr>
<tr>
<td>Korea</td>
<td>Financial Services Commission (FSC) + Financial Supervisory Service (FSS)</td>
<td>Bank of Korea (BOK)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Securities Commission of Malaysia (SC)</td>
<td>Bank Negara Malaysia (BNM)</td>
</tr>
<tr>
<td>Philippines</td>
<td>Securities and Exchange Commission (SEC)</td>
<td>Bangko Sentral ng Pilipinas (BSP)</td>
</tr>
<tr>
<td>Country</td>
<td>Authority/Commission</td>
<td>Additional Info</td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Singapore</td>
<td>Monetary Authority of Singapore (MAS)</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Ministry of Finance (MOF) / Securities and Exchange Commission (SEC)</td>
<td>Bank of Thailand (BOT)</td>
</tr>
</tbody>
</table>

NAFMII= National Association of Financial Market Institutional Investors  
IDX= Indonesia Stock Exchange  
KPEI= Indonesian Central Counterparty, KSEI= Indonesian Central Securities Depository  
TSE= Tokyo Stock Exchange, JSDA= Japan Securities Dealer’s Association  
KRX= Korea Exchange, KOFIA= Korea Financial Investment Association  
PDS= Philippine Dealing System  
SGX= Singapore Exchange  
TBMA= Thai Bond Market Association
Main Trading Places (OTC / Exchange) and Existence of Exchange Market trading

<table>
<thead>
<tr>
<th>Country</th>
<th>OTC Market</th>
<th>Exchange Market trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Yes, Inter-bank Market, not directly available to foreign investors. Domestic institutions are permitted to trade in OTC Market.</td>
<td>Yes (SSE &amp; SZSE).</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>Yes</td>
<td>No.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Yes</td>
<td>No.</td>
</tr>
<tr>
<td>Japan</td>
<td>Yes</td>
<td>No.</td>
</tr>
<tr>
<td>Korea</td>
<td>Yes</td>
<td>Yes (KRX). Government Bonds.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Yes (Only for unlisted debt securities)</td>
<td>No.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Yes</td>
<td>No.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Yes</td>
<td>No.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Yes. BEX provides electronic platform for OTC fixed income trading named Fixed Income and Related Securities Trading System (First)</td>
<td>No.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Yes, but not yet regulated</td>
<td>No.</td>
</tr>
</tbody>
</table>
### Listing of Bonds

<table>
<thead>
<tr>
<th>Country</th>
<th>Name of Exchange</th>
<th>Obligation for Market Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong, PRC</td>
<td>Hong Kong Stock Exchange (HKEx)</td>
<td>No.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesia Stock Exchange (IDX)</td>
<td>No.</td>
</tr>
<tr>
<td>Japan</td>
<td>TOKYO AIM (TOKYO PRO-BOND Market)</td>
<td>No.</td>
</tr>
<tr>
<td>Korea</td>
<td>Korea Exchange (KRX)</td>
<td>No.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Bursa Malaysia</td>
<td>No.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Philippine Dealing &amp; Exchange Corp. (PDEX) for onshore trading of fixed income securities.</td>
<td>No.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Singapore Exchange Securities Trading (SGX-ST): listed fixed income Inter-bank money market: Unlisted fixed income</td>
<td>No.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Bond Electronic Exchange (BEX)</td>
<td>No.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Ho Chi Minh Stock Exchange (HOSE) Hanoi Stock Exchange (HNX)</td>
<td>Yes.</td>
</tr>
</tbody>
</table>
### Name of the system of Trustee or Commissioned Company / Bond Representative

<table>
<thead>
<tr>
<th>Country</th>
<th>Name of the System</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Commissioned company</td>
<td>• Enterprise bonds have this concept; whether it works is untested.</td>
</tr>
</tbody>
</table>
| Hong Kong, PRC   | Trustee                             | • The appointment of a trustee is done under provisions of the Trust Indenture.  
                          | • The appointment of a trustee is not mandatory.                      
                          | • No recent issues or programmes featured trustee                     
                          | • Trustee provisions under HK law outdated, in comparison with English Trustee Act (2000) |
| Indonesia        | wali amanat (Trustee)               | • Bapepam-LK have guideline of registration and the duties as Trustee.  
                          | • Trustees must make contract perwaliamanatan with the corporate issuer in accordance with the conditions set out by Bapepam-LK. |
| Japan            | Commissioned person or Commissioned company | • Stipulated in Companies Act.                                    
                          | • It shall not be applied in case bond minimum unit is 100 million yen or more. |
| Korea            | Trustee (Revised Commercial law which will take effect in 2012) / Commissioned company (Old Commercial Act) | • Stipulate in the revised Commercial Act.                           
                          | • The appointment of a trustee is not mandatory.                     
                          | • The appointment of a trustee is done under provisions of the Trust Indenture. |
| Malaysia         | Trustee                             | • Trust deed and trustee is required; based on Trustee Corporation Act. 
                          | • Trustees should be approved by SC (and listed on SC website)        
<pre><code>                      | • AAA issuers may not need trustee, but such issues need to be approved by SC, and default definitions need to be included in bond issue documentation. |
</code></pre>
<table>
<thead>
<tr>
<th>Country</th>
<th>Role</th>
<th>Details</th>
</tr>
</thead>
</table>
| Philippines | Trustee - for Public offering Facility Agent (FA) - for Private placement | • Public offering bond issues typically have trustee.  
• Corporate bond issuers must appoint trustee.  
• Private placements require a ‘Facility Agent (FA),’ functions as trustee and fiscal agent; in absence of specific regulations, issue documentation would indicate that FA works on behalf of investors. |
| Singapore   | Trustee                                   | • No trustee concept for bonds; but bond representative (BR)  
• BR has fiduciary duty, plus any duty and liability set out in the T&C; both appointment of BR and actual T&C need to be registered with SEC  
• Indenture agreements in bond issues can specify a trustee or bondholder representative. This trustee oversees bondholder rights, including the filing of claims and demand payments from the issuer or guarantors. Bondholders can sue and claim for damages from the trustee in case the trustee acts in bad faith or causes damages to bondholders. |
| Thailand    | Bondholder Representative or Trustee       | • In Vietnam, there is no official concept of the Meetings of bondholders yet.                                                         |
| Vietnam     | (Bondholder Representative)                | • In Vietnam, there is no official concept of the Meetings of bondholders yet.                                                         |
## Necessity of the Credit Rating

<table>
<thead>
<tr>
<th>Country</th>
<th>Obligation to acquire investment rating at the issuance of the bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Yes.</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>No.</td>
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<td>Indonesia</td>
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<tr>
<td>Japan</td>
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<td>Korea</td>
<td>Yes.</td>
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<td>Malaysia</td>
<td>Yes.</td>
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<td>Philippines</td>
<td>Yes.</td>
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<tr>
<td>Singapore</td>
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<td>Thailand</td>
<td>Yes.</td>
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<tr>
<td>Vietnam</td>
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## Documentation Language

<table>
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<th>Main</th>
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<tr>
<td>China</td>
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<tr>
<td>Hong Kong, PRC</td>
<td>English</td>
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</tr>
<tr>
<td>Indonesia</td>
<td>Bahasa (Indonesian)</td>
<td>English</td>
</tr>
<tr>
<td>Japan</td>
<td>Japanese</td>
<td>English for TOKYO-PRO BOND Market Listing</td>
</tr>
<tr>
<td>Korea</td>
<td>Korean (Hangul)</td>
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<td>Malaysia</td>
<td>English</td>
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<td>Vietnam</td>
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## Concept / Definition of Professional or Institutional investors

<table>
<thead>
<tr>
<th>Country</th>
<th>Professional / Institutional</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>• No concept or definition of 'professional' (investor) evident in Chinese law.</td>
<td>• PBOC mulling over QIB concept (Qualified Institutional Buyer), i.e. professional investor category, with related disclosure and even potentially specific instruments for this investor category.</td>
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<tr>
<td></td>
<td>• Professional is often taken synonymous to 'experienced.'</td>
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</tbody>
</table>
| Hong Kong, PRC| • Professional investor includes any authorised financial institution, any recognised exchange company, recognised clearing house, any authorised insurer, any investment services intermediary, collective investment scheme, any government, institution that performs the functions of a central bank and any high net worth individuals (section 1 of Part 1 of Schedule 1 to the SFO).  
• An offer to sell bonds to professional investors is not required to comply with the prospectus requirements in the Companies Ordinance (Exemption in Paragraph 1 of Schedule 17 to the CO).  
This is contrasted with a general offer of bonds to retail investors of the general public, which would have to comply with a host of prospectus requirements in the CO. | The definition of professional investor is found in the following parts:  
Professional investor definition can be found mainly in SFO; but after Lehman collapse, more clarifications needed to be made.  
1. Paragraph (j) of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap.571) (SFO) (which provides a list of persons or entities recognised as professional investors); and  
2. Section 3 of the Securities and Futures (Professional Investor) Rules (Cap.571D) (which extends the definition of professional investor to specified high net worth individuals and entities).  
3. SELECTIVELY MARKETED SECURITIES status in listing rule (Chapter 37) on the STOCK EXCHANGE is related to the concept of professional investors to some extent. |
<p>| Indonesia     | Indonesia does not have specific definitions on this type of professional investors.        | Bapepam+LK is working on definitions of professional/individual investors.                                                                                                                                  |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
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</thead>
</table>
| **Japan** | The following categories are **specified (professional) investors**.  
- a. Qualified Institutional Investors (meaning persons specified by a Cabinet Office Ordinance as those having expert knowledge of and experience with investment in Securities);  
- b. The State (Japan);  
- c. The Bank of Japan;  
- d. Investor Protection Funds, and Other juridical persons specified by a Cabinet Office Ordinance (excluding those that are deemed to be non-specified investors according to agreements (opt-out)).  
- e. Corporations and individuals that are deemed to be specified investors according to agreements (opt-in).  
Qualified Institutional Investors (QIIs) include securities companies, investment management companies, investment corporations, foreign investment corporations, banks, insurance companies, certain pension funds, general partners of certain partnerships. Juridical persons referred to companies whose shares are listed on stock exchange(s) in Japan, companies whose stated capital is likely to be 500 million yen or more and foreign corporations. The specified investors listed in d above may opt out of the status as specified investors by an agreement with the financial instruments business operator, etc. Corporations and individuals that are not included in any one of a to d above may opt in by an agreement with the financial instruments business operator, etc. To become a specified investor, an individual is required to have net asset of 300 million yen or more, financial assets of 300 million yen or more and investment experience at least one year. |
| **Korea** | The Financial Investment Service and Capital Market Act (FSCMA) classifies an ordinary investor and a professional investor based on the expertise of their professional knowledge and experience as well as the amount of assets.  
A professional investor refers to an investor who does not need any strong investor protection measures considering its own expertise and experience, such as a nation, a local municipality, a central bank, and a financial institution. Most individual investors fall under the classification of an ordinary investor with the exception of an investor whose financial investments exceeds 5 billion won. Such classification aims to protect ordinary investors from taking huge risks in making investment due to the lack of such understanding of the financial investment instruments.  
Professional investors are;  
1. State;  
2. The Bank of Korea;  
3. Financial institutions specified by Presidential Decree; ref. ENFORCEMENT DECREE OF FSCMA Article 10 (Scope of Professional Investors)  
4. Stock-listed corporations: Provided, That trading over-the-counter derivatives with a |
<table>
<thead>
<tr>
<th>Country</th>
<th>Details</th>
</tr>
</thead>
</table>
| Malaysia  | The term - **Sophisticated Investor** is not explicitly defined in the Capital Markets and Services Act 2007 (CMSA). However, Schedules 6 and 7 of the CMSA exempt the following investors and transactions from prospectus requirements:  
(a) A unit trust scheme or prescribed investment scheme; (b) A holder of a Capital Markets and Services License who carries on the business of dealing in securities; (c) A holder of a Capital Markets and Services License who carries on the business of fund management; (d) The aggregate consideration for the acquisition is not less than RM250,000 or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise; (e) An individual whose total net personal assets exceed RM3 million or its equivalent in foreign currencies; (f) A corporation with total net assets exceeding RM10 million or its equivalent in foreign currencies based on the last audited accounts; (g) A licensed offshore bank under the Offshore Banking Act 1990; (h) A licensed offshore insurer under the Offshore Insurance Act 1990; (i) A licensed institution under the Banking and Financial Institution Act 1989 or an Islamic Bank under the Islamic Banking Act 1983; (j) An insurance company registered under the Insurance Act 1996; (k) A statutory body established by an Act of Parliament or an enactment of any State; and (l) A pension fund approved by the Director General of Inland Revenue. |
| Philippines| Disclosure exempt issues are defined in SRC Section 9; exempt securities are defined in SRC Section 10; 10k mentions distinction of <19 investors, 10l mentioned ‘Qualified Institutional Buyer’ concept; criteria for institutional vs individual professional investors was laid out (added) by SEC in 2007. |
| Singapore | Definition of Sophisticated Investor:  
Under Division 2 of Part XIII of the Securities and Futures Act, sophisticated investor is defined as:  
a. A person who acquires the shares or debentures, pursuant to the offer, as principal if the aggregate consideration for the acquisition is not less than $200,000 (or its equivalent in foreign currencies) for each transaction whether such amount is paid for in cash, by exchange of shares or other assets; or  
b. A person who acquires the shares or debentures pursuant to the offer as [specific conditions]. |
| **Thailand** | principal and —  
  i. whose total net personal assets exceed S$2 million or its equivalent in foreign currencies or whose income in the preceding 12 months is not less than S$300,000 or its equivalent in foreign currencies at the time of the acquisition; or  
  ii. in the case of a corporation, whose total net assets exceed S$10 million in value or its equivalent in foreign currencies as determined by the last audited balance-sheet of the corporation; or  
  c. An officer of the person making the offer or a spouse, parent, brother, sister, son or daughter of that officer or of the person making the offer, if he is a natural person.  
  
**Vietnam** | There is no defined concept of professionals; it can be assumed that wholesale institutional investors represent the professionals. There is a concept of the Institutional Investors and High Net worth Investors in Thailand. These concepts are related to the rule of exemption of the full disclosure based regulations.  
(a) “Institutional investors” means: 1. commercial banks; 2. finance companies; 3. securities companies for management of proprietary portfolios or private funds or investment projects established under laws governing finance business, securities business and credit foncier business; 4. credit foncier companies; 5. insurance companies; 6. government units and state enterprises under laws governing budgetary procedures or any other juristic persons established under specific laws; 7. Bank of Thailand; 8. international financial institutions; 9. Financial Institutions Development Fund; 10. Government Pension Fund; 11. Provident funds; 12. Mutual funds; 13. foreign investors with the same characteristics as investors under (1) to (12), mutatis mutandis;  
(b) “High net worth investors” means: Individual persons having forty million baht (about US$1.3 million) or more of assets, excluding liabilities of such persons; Juristic persons having two hundred million baht or more of assets as recorded in the latest audited financial statements.  
10. **Professional securities investors** mean commercial banks, financial companies, financial leasing companies, insurance organisations and securities trading organisations.  
   (Article 6. Definition of terms in the Securities Law 2006)
### Professional Investors Only Market

<table>
<thead>
<tr>
<th>Country</th>
<th>Status Quo</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Inter-bank Bond Market is non-retail market. But this does not mean that this is a professional market.</td>
</tr>
</tbody>
</table>
| **Hong Kong, PRC** | Consultation for the Professional investors only market: The Hong Kong Exchanges and Clearing Limited are undergoing market consultation on some proposed changes to the requirements for the listing of debt issues to professional investors only. The proposed changes include, but not limited to the following:  
   a. to unify the definition of professional investors in the Listing Rules with the definition in the Securities and Futures Ordinance;  
   b. to replace the current detailed disclosure requirements with an obligation to include information that is customary for offers of debt securities to professionals, as there is perception that listing in Hong Kong is more document intensive than other jurisdictions such as Singapore; and  
   c. To streamline the application procedures. |
| Indonesia   |                                                                                                                                              |
| Japan       | TOKYO PRO-BOND market with listing on the TOKYO AIM. Offerees are limited to Specified Investors. (the Offer to SI)                        |
| Korea       | The QIB system in Korean bond market is now under the investigation by the Government to implement it.                                       |
| Malaysia    |                                                                                                                                              |
| Philippines |                                                                                                                                              |
| Singapore   | (SGX Listing Market (Substitution of LSE or LUX))                                                                                           |
| Thailand    |                                                                                                                                              |
| Vietnam     |                                                                                                                                              |
### Definition or Meaning of Public Offering

<table>
<thead>
<tr>
<th>China</th>
<th>(No mentioning of the disclosure rules regarding Public offering) (Merit based regulation)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Methods of issuing Corporate Bonds:</strong> Private entities generally adopt one of the following methods to issue corporate bonds:</td>
<td></td>
</tr>
<tr>
<td>a. Public offering for bonds intended to sell to the public; or</td>
<td></td>
</tr>
<tr>
<td>b. Private placement for bonds intended to sell to a small group of investors.</td>
<td></td>
</tr>
<tr>
<td>c. There are some differences in the requirements for the two methods. For instance, a more comprehensive and detailed prospectus is often required for public offer whereas a relatively simple form of offer document or term sheet suffices for private placement. For details, refer to Section 38 of the Companies Ordinance (<a href="http://www.hklii.hk/hk/legis/en/ord/32/s38.html">http://www.hklii.hk/hk/legis/en/ord/32/s38.html</a>).</td>
<td></td>
</tr>
<tr>
<td>d. For bonds to be listed on the Hong Kong Stock Exchange, corporates should also observe the requirements, among others, set out in Section 44B of the Companies Ordinance (<a href="http://www.hklii.hk/hk/legis/en/ord/32/s44b.html">http://www.hklii.hk/hk/legis/en/ord/32/s44b.html</a>).</td>
<td></td>
</tr>
<tr>
<td>The Hong Kong dollar market is primarily a private placement market. Therefore, no clear definition of Public offering existed in the regulations in Hong Kong.</td>
<td></td>
</tr>
<tr>
<td><strong>Issuing debt instruments related regulations / rules:</strong></td>
<td></td>
</tr>
<tr>
<td>1. For bonds to be listed on the Hong Kong Stock Exchange, bond issuers should observe, among others, the Listing Rules which set out the qualifications for listing, application procedures and requirements, listing documents and arrangements etc. For details, refer to Chapters 22-37 of the Listing Rules which can be accessed at <a href="http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/vol1_4.htm">http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/vol1_4.htm</a>.</td>
<td></td>
</tr>
<tr>
<td>2. For bonds to be listed on the Hong Kong Stock Exchange, trading Rules (<a href="http://www.hkex.com.hk/eng/rulesreg/traderules/tradingrules.htm">http://www.hkex.com.hk/eng/rulesreg/traderules/tradingrules.htm</a>) promulgated by the Hong Kong Exchange and Clearing Limited should be observed.</td>
<td></td>
</tr>
<tr>
<td>3. For unlisted bonds which are regarded as structured investment products and are intended to be sold to the public, bond issuers should observe, among others, the requirements set out in the Code on Unlisted Structured Investment Products published at SFC’s website <a href="http://www.sfc.hk/sfc/doc/EN/intermediaries/products/handBooks/Eng_SIP.pdf">http://www.sfc.hk/sfc/doc/EN/intermediaries/products/handBooks/Eng_SIP.pdf</a>.</td>
<td></td>
</tr>
</tbody>
</table>
4. Save for the above and the specific laws mentioned above bonds issued by different types of entities, there are in general no other regulations governing the issuance of listed or non-listed bonds in Hong Kong, i.e.
   a. Both domestic and foreign entities are eligible to issue debt instruments in Hong Kong.
   b. Foreign entities interested in raising funds in Hong Kong should however ascertain whether it is permitted under the law of their jurisdictions.
   c. If the debt instruments are to be listed on the Hong Kong Stock Exchange, issuers have to comply with the requirements for reporting and disclosure of information, etc. as set out in the Listing Rules and other relevant documents of the Hong Kong Stock Exchange.
   d. Unlisted Public Offering Bond issuers should obtain SFC’s authorization for issuance of unlisted debt instruments which are regarded as structured investment products and are intended to be sold to the public.

**Indonesia**

| Definition of the Public Offering is not clear yet. (More information is needed.)
| Sustainable Public Offering is IPO for EBU (debt securities instrument) and/or Sukuk which held sustainably as regulated in Peraturan Bapepam dan LK Nomor IX.A.15 tentang Penawaran Umum Berkelanjutan.
| Sustainable Public Offering in order to provide convenience for issuer or public company with good performance to make IPO of EBU and or Sukuk sustainably. Sustainable Public Offering should be implemented no longer than 2 years since the effectiveness of Registration Statement with certain criteria for both the issuer and securities.
| There is Private Placement Market for MTN and Corporate Bond which could be registered by CSD (KSEI).

**Japan**

| A public offering is generally subject to requirements to disclose the solicitation documents stipulated in the Financial Instruments and Exchange Act (FIEA), whereas a private placement (PP) is not.
| Disclosure requirements by way of filing a Securities Registration Statement (SRS) and delivering a Prospectus under the FIEA and a related Order for Enforcement and Cabinet Office Ordinances are applicable to the solicitation of the public, i.e. public offering, for either an initial issue or sale of existing securities.
| Following categories are not deemed to be a public offering.
| Those are offering: a. to a small number of investors (the SN-PP is a private placement to less than 50 people.) or b. to qualified institutional investors (the QII-PP) or c. to specified investors (the Offer to SI)
### Korea

Public offerings generally refer to actions with the aim of selling to multiple ordinary investors. The Financial Investment Service and Capital Market Act (FSCMA) define a public offering as public offering and public sale. The term "public sale" in the Act refers to gathering 50 or more investors, as calculated by a formula prescribed by Presidential Decree and FSC Regulation(REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES), to make an offer to sell or invite offers to purchase securities already issued (FSCMA Article 9.(9)).

In other words this means soliciting 50 or more investors (the sum of those who have received recommendations) that have not made, applied to, or bought the same type of securities as the relevant securities being offered within six months of the day offers to buy are made.

### Malaysia

(More information is needed.)

SC and BNM introduced ‘exempt regime’, reducing onerous listing requirements, including possibly fee waivers; this is most used for Sukuk listings.

- In addition to ‘AAA’ (local rating) exemption, an international rating ‘BBB+’ or better may also qualify issuer for disclosure exemption.
- CMSA Schedules 6 and 7 regulate exemptions of disclosure, such as professional (here: ‘sophisticated investors’), including insurance companies and high net worth individuals; details are available on the SC website.

### Philippines

- Differentiation of public/private placement: >19 investors, historic driver, possibly because of taxation issue
- All issues require ‘Registration Statement’ to SEC, constitutes basic disclosure
- Exempt issues are defined in SRC Section 9; exempt securities are defined in SRC Section 10; 10k mentions distinction of <19 investors, 10l mentioned ‘Qualified Institutional Buyer’ concept; criteria for institutional vs individual professional investors was laid out (added) by SEC in 2007
- No onward sale of Section 10 securities to non-QIB

### Singapore

Public offering is the selling of registered securities to the broad market, rather than to a select group of investors.

Public bond offerings are usually listed on a stock exchange in relatively small denominations and a prospectus is required to be lodged.

Notices of bond offerings by statutory boards, domestic and foreign issuers are generally published in the newspapers or on the issuer’s website.

They outline issuance details such as auction dates, size and type of issue.
General public offerings can be accessed through a prospectus database available at the MAS website under the Offers and Prospectuses Electronic Repository and Access (OPERA) tab. Bids are submitted through managing bank(s) and the results, specifying the amount applied for, coupon rate, average yield and percentage allotted are also publicly announced.

On the other hand, Private placement is the selling of unregistered securities directly, where offer is made to not more than 50 investors within a 12-month period. Private bond placements are not listed on a stock exchange, do not require a prospectus and consequently cost less than a public offering.

**Thailand**

a. The bond can be offered for sale by way of Public Offering (PO) or Private Placement (PP). PP generally means to offer for sale to institutional investors, high net worth investors and specific investors.

b. Approval from the SEC is required for the offer for sale by way of a Public Offering. A full filing form (a specific form prescribed by the SEC) and draft prospectus have to be submitted to the SEC.

c. PP (Narrow Distribution less than 10 person / Small Size) is exempt from filing requirement.

d. PP (II&HNWI) is exempt from full filing requirement. (Light requirement remains)

e. The concept of II (Institutional Investor) / QFII (Qualified Foreign Institutional Investor) does not only apply to securities available for sale in the Exchange Market but also applies to debentures issued by way of private placement.

f. A credit rating is also required for an offer for sale by way of a PO and PP.

g. The newly issued bond must be registered with the Thai Bond Market Association (ThaiBMA).

h. A bond representative is needed for an offer for sale by way of a PO.

i. An annual report is required to be filed with the SEC.

**Vietnam**

Public offering means an offering of securities according to one of the following methods:

(a) Via mass media, including Internet;

(b) Offering of securities to 100 investors or more, excluding professional investors;

(c) Offering to an unspecified number of investors.
## Omnibus Securities Account / Nominee Concept

<table>
<thead>
<tr>
<th>Country</th>
<th>Existence of Omnibus Securities Account</th>
<th>Existence of Nominee Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>No. Securities must be kept in the name of the beneficiary owner.</td>
<td>No.</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Japan</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Korea</td>
<td>Yes. But, the foreign exchange regulation in Korea does not allow omnibus accounts for payments for foreign investors. To avoid this, foreign investors who use ICSDs have status of QFI are allowed to use omnibus accounts. (See details below)</td>
<td>Yes. But it cannot be applied to Foreign Investment in Bonds.</td>
</tr>
</tbody>
</table>

Foreigners who invest in Korean domestic bonds normally depend on local or global custodians to settle their transactions and keep the bonds they have acquired. In making settlement for securities transactions, custodians usually use omnibus accounts through which they consolidate all of their clients’ transactions into a single account and make payments and deliveries using that account.

The foreign exchange regulation in Korea, however, requires that payments to settle securities transactions by foreigners must be processed through the individual account of each foreign investor. Since omnibus accounts for payments are not allowed for foreign investors, the custodian banks in charge of settling the bond transactions of foreign investors have to make payments through the individual account of each foreign investor. This leads to added costs and inconvenience.

Despite the higher costs and added inconvenience, foreign investors can still get settlement service for their transactions of Korean domestic bonds from local or global custodians.
The real problem caused by the prohibition on the use of omnibus accounts lies with the fact that ICSDs, such as Euroclear and ClearStream, which usually provide settlement service for local bonds as well as international bonds, do not provide settlement service for local bonds of the countries where omnibus accounts are not allowed. Since ICSDs provide settlement services as well as depository services for bonds in many countries, international bond investors tend to use ICSDs to settle their international bond transactions.

It is likely that these investors stay away from countries where ICSDs do not provide settlement services since investing in such countries requires the hiring of an additional custodian bank instead of relying upon the convenience of a single custodian taking care of all of their international transactions.

Prior to 2007, ICSDs did not provide settlement service for Korean bonds because the use of omnibus accounts by foreign investors was prohibited. As a consequence, it is plausible that Korea may have been losing potential foreign investments from those who would have invested in Korean bonds had they been able to settle their transactions through ICSDs.

To address this shortcoming, the Korean government allowed ICSDs to use omnibus accounts to settle transactions of domestic bonds by foreign investors.

The revised regulation stipulates that Clearstream and Euroclear can provide settlement services for the country’s government bonds and MSBs through their omnibus accounts set up at the Korea Securities Depository (KSD).

Allowing omnibus accounts not only provides foreign investors with the benefit of lower cost and convenience in settlement, but also enables them to avoid significant institutional impediments. First, foreign investors do not have to register with the Financial Supervisory Service and get an investment registration certificate in advance if they settle their transactions of Korean domestic bonds through an ICSD. They can simply hold Korean domestic bonds at the representative omnibus account under the title of an ICSD.

In addition, the new regulation enables OTC transactions of Korean domestic bonds when these are deposited in and settled through the omnibus accounts of an ICSD. As a result, a foreign investor may now sell Korean government bonds to another foreign investor through a direct OTC transaction when both parties engage in the transaction via
institutions that have settlement accounts at an ICSD. Allowing ICSDs to make settlements using a representative omnibus account, however, may cause some problems in relation to the income tax exemption for foreigners. As was mentioned earlier, the Korean government decided to give foreign investors exemption from withholding tax on interest income from government bonds and MSBs in January 2009. Since foreign investors no longer need an investment registration certificate if they settle their transactions through the omnibus account of an ICSD, a domestic investor can easily disguise himself as a foreign investor by making settlement through an ICSD to gain a tax exemption on interest income.

Under this system, the settling members of ICSDs that acquire Qualified Financial Intermediary (QFI) status are allowed to make settlement of Korean domestic bond transactions for their customers through the omnibus accounts of ICSDs.

In order to qualify as a QFI, a financial institution is required to assess customer adequacy of foreign investors for tax exemption and keep track of the bond transactions and holding records of foreign investors so that they can report to Korea’s National Tax Service as necessary.

In spite of the clear benefits, the use of omnibus accounts is an exception rather than a rule. It is only the ICSDs that are allowed to use omnibus accounts. Therefore, foreign investors who do not settle their domestic bond transactions through ICSDs are still subject to restrictions such as registration requirements, prohibition of direct OTC transactions between foreign investors, and prohibition on the use of omnibus accounts.

<table>
<thead>
<tr>
<th>Country</th>
<th>Yes.</th>
<th>Yes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Yes.</td>
<td>No.</td>
</tr>
</tbody>
</table>
### Form of the Bonds (Book-entry / Physical) and Status of Securities

<table>
<thead>
<tr>
<th>Country</th>
<th>Form of the Bonds</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Book-entry</td>
<td></td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>Book-entry form (dematerialized) for exchange fund paper and global note form for corporate bonds</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Book-entry</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Book-entry (Dematerialized)</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>Book-entry</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td><strong>Listed bonds</strong>: Book-entry at Bursa Malaysia Depository Sdn Bhd <strong>Unlisted debt securities</strong>: Book-entry at Bank Negara Malaysia (BNM)</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td><strong>Government Securities</strong>: Book-entry in RoSS or in PDTC <strong>Scriptless Corporate Bonds</strong>: Book-entry in PDTC <strong>Physical Corporate Bonds</strong>: Endorsement and actual delivery of physical certificates with duly notarized Deed of Assignment</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>Book-entry for government bonds. CDP holds universal certificates for Physical bonds.</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Book-entry</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>Book-entry for Government Bonds</td>
<td></td>
</tr>
</tbody>
</table>
**FX / Currency (not completed yet)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Floating Model</th>
<th>Restrictions on foreign remittance of the own currency</th>
<th>Currencies eligible for CLS Bank Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Government controlled floating, rate referring currency basket</td>
<td>Restricted (Rupiah remittance between foreign banks is prohibited)</td>
<td></td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td>Link to USD (Currency Board System)</td>
<td>Restricted (Rupiah FX trades must be done by Indonesian domestic banks)</td>
<td>Yes</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Floating</td>
<td>Restricted (All remittance out of the country must be made in foreign currency)</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Floating</td>
<td>No restriction</td>
<td>Yes</td>
</tr>
<tr>
<td>Korea</td>
<td>Floating</td>
<td>Restricted</td>
<td>Yes</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Managed float against a basket of currencies, following the de-pegging of the Ringgit</td>
<td>Restricted (All remittance out of the country must be made in foreign currency)</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Floating</td>
<td>Restricted Registration with BSP for issuance of BSRD on per transaction basis is required to qualify for automatic conversion of peso sale/interest into FX for outward repatriation.</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>Floating</td>
<td>Restricted</td>
<td>Yes</td>
</tr>
<tr>
<td>Thailand</td>
<td>Managed Floating</td>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>Controlled Floating</td>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>---------------------</td>
<td>------------</td>
<td></td>
</tr>
</tbody>
</table>

*Trial version - Extract items basis (Confirmation may be necessary in some part)*
## Market Capitalization (Size of LCY Bond Market in USD: Billion)

<table>
<thead>
<tr>
<th></th>
<th>Mar-11</th>
<th>Gov.</th>
<th>Corp.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td>2,369.8</td>
<td>696.4</td>
<td>3,066.2</td>
</tr>
<tr>
<td>Hong Kong, PRC</td>
<td></td>
<td>87.6</td>
<td>78.7</td>
<td>166.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td>103.9</td>
<td>13.9</td>
<td>117.8</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>10,425.5</td>
<td>1,087.3</td>
<td>11,512.8</td>
</tr>
<tr>
<td>Korea</td>
<td></td>
<td>524.3</td>
<td>687.2</td>
<td>1,211.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td>160.6</td>
<td>108.4</td>
<td>269.0</td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
<td>63.6</td>
<td>9.4</td>
<td>73.0</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>105.7</td>
<td>84.9</td>
<td>190.6</td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td>180.9</td>
<td>44.1</td>
<td>225.0</td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td>14.2</td>
<td>1.4</td>
<td>15.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,036.1</td>
<td>2,811.7</td>
<td></td>
<td>16,847.8</td>
</tr>
</tbody>
</table>

Source: AsianBondsOnline_ADB
Items to be included in the SF1 Market Guides for the region (= the points for the comparative analysis)

1. Governing Law for Corporate Bonds Issuance
2. Definition of Securities (Bonds)
3. Competent Authority (Regulator)
4. Issuing Approval Method
5. Role of the SROs
6. Purpose of the Listing of Bonds (e.g. profiling or real listing)
7. Obligation for the Listing of Bond
8. Main Trading Places (OTC / Exchange)
9. Necessity of the Credit Rating
10. Method of Registration of Bonds
11. Status of the Bonds (Bearer / Registered)
12. Form of the Bonds (Scripless / Physical)
13. Status of the Scripless Bonds (Complete Dematerialised or Immobilised)
14. Existence of the exchangeability of the Scripless Bond to the Physical Bonds
15. Method of Transfer of Interest in Bonds
16. Finality of Settlement
17. Legal Basis and Definition of “Settlement and Clearing”
18. Existence of the Omnibus Accounts
19. Existence of the Nominee Concept
20. Regulators’ Policy related to the necessity of Disclosure of Real Beneficially Owner
21. Documentation Language
22. Definition of the Payment Default
23. Bankruptcy Procedures
24. Existence of the Meeting of Bondholders
25. The way of Trustee (Bond Representative / Commissioned Persons) System
26. The definition of Professional / Institutional investors
27. Public Offering Market (Full disclosure) Rules and Regulation
29. Islamic Finance related issues
PRIVATE PLACEMENT OF LOCAL CURRENCY BONDS ACROSS ASEAN+3 – TIMELY TO BUILD REGIONAL LINKAGES ON RECENT RELAXATION OF SECURITIES REGULATIONS

5TH ABMF Meeting, SF1 Panel Discussion

Thomas Meow
Executive Vice President – Group Treasury, CIMB Investment Bank
Chairman - DCM Committee, Malaysian Investment Banking Association
(Representing Mr. Lee K. Kwan, Chairman – Financial Market Association Malaysia)

Bali, Indonesia
12th September, 2011

ABMI / ABMF Vision: ASEAN+3 Excess Savings Invest in ASEAN+3 Local Currency Bonds Issued by ASEAN+3 Issuers

- Private Sector Initiatives
  - NICRA
  - ASEAN+3 Standard Documents

- Regulatory Changes
  - Mutual Recognition
  - ABF3
  - ASEAN+3 “Reg S”
  - ASEAN+3 MTN Program
In addition to RM bond issuances by Asian issuers, private placement of Asian-currency bonds to onshore investors in Malaysia is now allowed.

- Issuers from ASEAN+3 could offer or place out a portion of their local currency bond issues to sophisticated investors in Malaysia, subject to minimum requirements:
  - Info memo/term sheet/offering circular is acceptable (i.e. no prospectus is required)
  - No local rating is required
  - Local documentation is acceptable
  - Only need to appoint local adviser and obtain approval from the SC Malaysia
- Private placement can also be made to other markets simultaneously, subject to investors' demand.

---

Enormous benefits of promoting private placement markets in ASEAN+3

**To home country of issuer,**
- Inflows of long-term funds into private sector bonds
  - as against “hot money” into the public sector bonds - which are relatively more liquid
- Increased regional participation could enhance development of local currency bond markets
  - larger issue size and wider investor base
- Deepening of domestic financial markets
  - trade execution, depository services and etc still occur in home country of issuer
  - direct crosses of Asian currencies
  - potential avenue for central banks to build foreign currency reserves in Asian currencies

**To bond issuing entity (bond issuer),**
- Not expose to FX risks
  - as against issuance of Eurobonds
- Able to widen investors base in the region – creating additional source of funding
- Could build greater profile in the region
- Efficient source of financing
  - no additional issuance cost is required, except for road show or presentation to regional investors (optional)
  - securities laws in issuing countries are usually clear and not expected to be significantly different
Enormous benefits of promoting private placement markets in ASEAN+3

To home country of investors,

• **Diversification of FX reserve into Asian currencies**
  - fundamentals of Asian countries are relatively stronger than some developed countries in financial turmoil
  - intra-regional investment of debt securities within Asia is growing rapidly - reached USD158 billion in 2009 as compared to USD52 billion in 2001

• **Deepening of domestic financial markets**
  - direct crosses of Asian currencies and potential investors’ demands for FX swaps
  - promote strategic alliances with financial institutions and advisors in the region

To investors,

• **Able to enjoy attractive yields and/or upside in FX exposures**
  - potential upside of Asian currencies is higher than USD and Euro

• **Diversification of portfolio with wider pool of regional credits**
  - could select wider pool of bond issuers from various industries across the region

---

Enormous benefits of promoting private placement markets in ASEAN+3

Of equal importance, this will contribute towards-

**ASEAN+3 Excess Savings**
invested in
**ASEAN+3 Local Currency Bonds**
issued by
**ASEAN+3 Issuers**

---

CIMB GROUP
Thank You
Foreign Currency Bond in Thailand

Offer for sale of Foreign Bond in Thailand

3 main applications:
1. Product offering requirements
2. Sales conduct requirements and
3. Market intermediaries licensing regimes

- Investors categorizations allow different level of investor protection and investment opportunities → Retails (PO) and non-retails
Eligible Foreign Bonds

Many types of Bonds except:
- structured notes
- convertible bonds
- mortgage bond which assets are located in other jurisdictions

Offering to non-retails

Non-retails: II&HNW
1. Approval requirements: lighter (less document)
2. Disclosure requirements: lighter (less details & time)
3. Reporting requirements: lighter (less frequency & time)
4. Sales conducts: lighter
**II & HNW**

### Institutional Investors

1. Commercial bank
2. Finance company
3. Credit Foncier company
4. Securities company
5. Mutual fund
6. Financial Institution Development Fund
7. Insurance company
8. Gov. pension fund
9. Gov. agency /SOE
10. Juristic person established under specific law
11. International financial institution

### High net worth investors

1. Individual with assets >= 40 Million Baht
2. Juristic person with assets >= 200 MB

### Criteria of Applicants

<table>
<thead>
<tr>
<th>Requirements</th>
<th>PO</th>
<th>II &amp; HNW</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Home supervisory agency shall cooperate in information sharing &amp; enforcement:</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>- IOSCO member Signatory A in MMOU</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- MOU with SEC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Having representatives in Thailand</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>III. Having credit rating by recognized international CRA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>(Issue)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV. Registered with Thai Bond Market Associations</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
### Criteria of Applicants (cont.)

#### Requirements

<table>
<thead>
<tr>
<th>Requirements</th>
<th>PO</th>
<th>II &amp; HNW</th>
</tr>
</thead>
<tbody>
<tr>
<td>V. Financial statements prepared by recognized accounting standards</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>VI. Offering through underwriter</td>
<td>✓</td>
<td>✓*</td>
</tr>
<tr>
<td>VII. Having a person acting on behalf of bond holders</td>
<td>✓</td>
<td>✓ Only secured bond</td>
</tr>
<tr>
<td>VIII. Obtained approval for Thai investors to invest in foreign currency denominated debentures from Bank of Thailand</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

* except offering to the specified institutional investors stated in Bank of Thailand notifications

#### Qualifications

<table>
<thead>
<tr>
<th>Qualifications</th>
<th>PO</th>
<th>II &amp; HNW</th>
</tr>
</thead>
<tbody>
<tr>
<td>IX. Not failed to submit financial report to SEC, SET</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>X. Not in process of correction or revision of financial report or reports to SEC, SET</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>XI. Not in violation or non-compliance with the after-approval conditions</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>XII. Require local financial adviser</td>
<td>✓</td>
<td>-</td>
</tr>
</tbody>
</table>
Foreign applicant

1. Accounting Standards
   - allows to use IFRS, FAS, USGAPP or other acceptable standards
2. Auditors
   - allows to use home auditors
3. Credit rating
   - recognized Standard & Poor / Moody’s /Fitch Rating/ Investment Information, Inc.

Thank you
## Expected Launch Schedule of the TOKYO PRO-BOND Market

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2 – Mar 23, 2011</td>
<td>Announcement of the detailed rules and Q&amp;As. The 2nd public consultation.</td>
</tr>
<tr>
<td>May 17, 2011</td>
<td>Publication of the approved rules.</td>
</tr>
<tr>
<td>(Autumn 2011)</td>
<td><strong>Launch of the market.</strong> i.e. First program listing or issuance on the TOKYO PRO BOND market.</td>
</tr>
</tbody>
</table>
TOKYO PRO-BOND Market: Target Issuers

- Non-Japanese Sovereign issuers and Corporations
  1. Existing Samurai bonds issuers
  2. Potential Samurai bonds issuers

- Japanese corporations who are utilizing Euro MTN program and targeting Japanese Institutional Investors.

- Large Japanese corporations who are issuing bonds globally.

Domestic Issuers

- Simple disclosure system
  ⇒ Cost reduction regarding documentation

- Less burden on underwriters (for companies submitting Annual Securities Reports)

<table>
<thead>
<tr>
<th></th>
<th>Public Offering</th>
<th>PRO-BOND</th>
</tr>
</thead>
<tbody>
<tr>
<td>The relation between ASR and the disclosure of issuance</td>
<td>ASR is referred to in the Securities Registration Statement → ASR is included in the disclosure of issuance</td>
<td>ASR is not referred to in the Specified Securities Information → ASR is not included in the disclosure of issuance</td>
</tr>
<tr>
<td>Range of matters to be reviewed by underwriters</td>
<td>ASR must be reviewed by underwriters</td>
<td>ASR is not required to be reviewed by underwriters</td>
</tr>
<tr>
<td>Responsibility of underwriters</td>
<td>Heavy</td>
<td>Light</td>
</tr>
<tr>
<td>Time frame for underwriting</td>
<td>Long</td>
<td>Short</td>
</tr>
<tr>
<td>Issuing Window</td>
<td>Narrow</td>
<td>Wide</td>
</tr>
</tbody>
</table>
Foreign Issuers

- Traditional Samurai issuers are required to submit the Securities Registration Statement in Japanese.

- Disclosure documents for TOKYO PRO—BOND Market (Issuer Filing Information) can be in English. Additionally, Euro-style formats are accepted.

  ⇒ Cost reduction regarding translation and other documentation

One-day Seasoning

When bonds issued outside Japan are sold in Japan on the next day of issuance, the process used to be either private placement for Qualified Institutional Investors or for small number of investors. But if the bonds are listed on the Tokyo PRO-BOND Market, the bonds can be sold to Specified Investors, which are much broader than the traditional categories.

Private placement for small number of investors: less than 50

Private placement for Qualified Institutional Investors: QIs

Private placement for Specified Investors: Specified Investors

Qualified Institutional Investors (e.g. financial institutions)
  - Listed companies
  - Private companies with over JPY 500 million capital
  - Government agencies, Bank of Japan

Approved Specified Investors (investors who apply and receive approval from securities firms) are defined as:
  - Companies outside the regulations stated above
  - Regional public authorities
  - Individuals with over JPY 300 million in net assets and financial assets, and with at least one year of investment experience with financial instruments
### TOKYO PRO-BOND Market: Issuer Fees

<table>
<thead>
<tr>
<th>Fee</th>
<th>Amount</th>
<th>Amount Until December 31, 2011</th>
<th>Payment Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Fee</td>
<td>2,000,000 yen</td>
<td>1,000,000 yen</td>
<td>Last day of the month following the month in which program information is submitted</td>
</tr>
<tr>
<td>Initial listing Fee</td>
<td>The smaller of 1,000,000 yen and issue amount * 0.5/10000</td>
<td>The smaller of 500,000 yen and issue amount * 0.5/10000</td>
<td>Last day of the month following the month of listing</td>
</tr>
<tr>
<td>(In the case where the Applicant has submitted program information and the relevant listing takes place during the expected issuance period specified in the program information)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial listing Fee</td>
<td>2,000,000 yen</td>
<td>1,000,000 yen</td>
<td>Same as above</td>
</tr>
<tr>
<td>(In all cases other than the above)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Schedule for listing

#### 【Typical Schedule】

<table>
<thead>
<tr>
<th>Preparation before application</th>
<th>Timing</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Code preparation</td>
<td>1-2 weeks</td>
<td>If the issuer does not have its code.</td>
</tr>
<tr>
<td>Registration to Jasdec</td>
<td>1-2 weeks</td>
<td>If the issuer has no registration with Jasdec</td>
</tr>
<tr>
<td>Transfer limitation contracts and the notification regarding the Bond Listing (Underwriters→Investors)</td>
<td>Several days</td>
<td>Once before the first trading of the listed bonds</td>
</tr>
<tr>
<td>Transfer limitation contracts (Underwriters→Issuers)</td>
<td>Several days</td>
<td></td>
</tr>
<tr>
<td>Program Information (has to be submitted at least 8 days before the issuing period begins)</td>
<td>Several weeks</td>
<td>Summary in Japanese if needed</td>
</tr>
<tr>
<td>Specified Securities Information</td>
<td>Several weeks</td>
<td>Summary in Japanese if needed</td>
</tr>
</tbody>
</table>
### TOKYO PRO-BOND Market Features (1)

<table>
<thead>
<tr>
<th>Investor Base</th>
<th>Samurai</th>
<th>Euro-Yen</th>
<th>TOKYO PRO-BOND Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum penetration - city banks, regional banks, trust banks, life and non-life insurers, pension funds, other large institutional investors (as a legal framework, retail is also included)</td>
<td>Similar investor base to Samurai but maximum 49 investors per tranche (more if QII)</td>
<td>Same investor base as Samurai (as a legal framework retail is excluded)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Language</th>
<th>Japanese</th>
<th>English</th>
<th>English and/or Japanese</th>
</tr>
</thead>
</table>

|-------------------------------|------------------------|--------------|---------------------|

<table>
<thead>
<tr>
<th>Programme VS Stand alone Listing</th>
<th>Stand alone documentation (Shelf registration allowed)</th>
<th>EMTN Program</th>
<th>EMTN type program or Stand alone documentation</th>
</tr>
</thead>
</table>

### TOKYO PRO-BOND Market Features (2)

<table>
<thead>
<tr>
<th>Listed on</th>
<th>Samurai</th>
<th>Euro-Yen</th>
<th>TOKYO PRO-BOND Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Listed (J-FSA’s disclosure system)</td>
<td>LSE, LUX, Singapore, etc</td>
<td>TOKYO PRO-BOND Market (TOKYO AIM, Inc.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Responsibility for Underwriters</th>
<th>Samurai</th>
<th>Euro-Yen</th>
<th>TOKYO PRO-BOND Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy (ASR is referred to in the SRS)</td>
<td>Light</td>
<td>Light (ASR is not referred to in the SSI)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Timing</th>
<th>Samurai</th>
<th>Euro-Yen</th>
<th>TOKYO PRO-BOND Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approximately 2 months, Timing from drafting to close for first time issuer.</td>
<td>Short</td>
<td>Short</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issuing Window</th>
<th>Samurai</th>
<th>Euro-Yen</th>
<th>TOKYO PRO-BOND Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow</td>
<td>Wide</td>
<td>Wide</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governing Law</th>
<th>Samurai</th>
<th>Euro-Yen</th>
<th>TOKYO PRO-BOND Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese Law</td>
<td>English Law, etc</td>
<td>Not Limited</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Samurai</td>
<td>Euro-Yen</td>
<td>TOKYO PRO-BOND Market</td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------------------------------</td>
<td>---------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>Ratings</strong></td>
<td>S &amp; P, Moody’s, Fitch or Japanese Rating (JCR/R&amp;I)</td>
<td>S&amp;P, Moody’s or Fitch</td>
<td>S &amp; P, Moody’s, Fitch or Japanese Rating (JCR/R&amp;I)</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>JPY</td>
<td>Not Limited</td>
<td>Not Limited</td>
</tr>
<tr>
<td><strong>Clearing Settlement</strong></td>
<td>JASDEC</td>
<td>Euroclear and Clearstream</td>
<td>No restriction under the Exchange Rule</td>
</tr>
<tr>
<td><strong>Secondary Trading</strong></td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>Japanese translation’s cost is significant</td>
<td>Limited</td>
<td>Limited</td>
</tr>
</tbody>
</table>

Please contact for details to

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## Table of Contents

1. KOFIA: Overview and Self-Regulation
2. KOFIA’s Regulations on the Bond Market
3. Asian SRO Significance
4. ICMA Case
5. Next Step of ABMF
I. KOFIA: Overview

Korea Financial Investment Association (KOFIA)

- Non-profit, membership-based, self-regulatory organization (SRO)
- Established in February 2009, under the Financial Investment Services and Capital Markets Act through the merger of three associations:
  - Korea Securities Dealers Association
  - Asset Management Association of Korea
  - Korea Futures Association
- The SRO and trade association overseeing Korea's financial investment service industry and capital market

KOFIA & Other Regulatory Organizations

- KOFIA
- FSC (Financial Services Commission)
- FSS (Financial Supervisory Services)
- MOSF (Ministry of Strategy and Finance)
- KRX (Korea Exchange)

KOFIA Membership

<table>
<thead>
<tr>
<th>Types</th>
<th>Regular</th>
<th>Associate</th>
<th>Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement</td>
<td>Licensed financial investment company (investment trading, investment brokerage, collective investment scheme, trusts)</td>
<td>Registered financial investment company (investment discretionary, investment advisory)</td>
<td>Bond rating, Fund evaluation</td>
</tr>
</tbody>
</table>
| Type of members | • Securities firms  
• Futures  
• Asset management | • Banks  
• Insurance  
• Merchant bank  
• Investment advisory/discretionary services | |
| Number of members | 161  
Total | 108  
Total | 17  
Total |
| Total          | 286 |

(As of Sep. 2011)
I. KOFIA: Organization Structure

General Meeting

Board of Directors

Self-regulation Committee

Chairman

Vice Chairman

Self-regulation Committee Chairman

Korea Council for Investor Education

Korea Institute of Financial Investment

I. KOFIA: Self-Regulation

☐ Self-Regulation Committee

✓ Structure

- The Self-Regulation Committee was created to improve self-regulation independence and to prevent conflicts of interests

- Chairman of the Committee (standing, 3-year term)

- Committee members (non-standing, 2-year term)

- 3 financial experts, 1 legal expert, 1 accounting or business finance expert, 1 representative from KOFIA’s membership

✓ Function

- The Financial Investment Services and Capital Markets Act (FSCMA) empowers KOFIA with self-regulatory functions in order to promote fair business practices among members and protect investors
I. KOFIA : Self-Regulation

Self-Regulation Division

- Self-Regulation Planning Dept.
  - Regulation Planning
  - Internal Control Support
  - Member Inspection

- Self-Regulation Review Dept.
  - Agreement Review
  - Advertising Review
  - Dispute Resolution

- Financial Professional Management Dept.
  - Financial Personnel Management
  - Exam Administration

* Serves as the Secretariat to the Self-Regulation Committee by engaging in activities such as resolution execution, and consists of 3 departments and 8 teams.

Main Business Activities

- Establish internal control standards & working rules governing investment solicitation
- Establish the standard agreements, review agreements & advertising
- Registration of introducing brokers and qualifications
- Resolution of disputes
- Registration and management of financial investment professionals
- Education of executives and employees of financial investment businesses
- Entrusted inspection, etc.
Ⅱ. KOFIA’s Regulations on the Bond Market: Primary Market

1. Regulations on Securities Underwriting Business (Primary Market)

✓ Objective:
Define requirements regarding underwriters, etc., in order to protect investors in the bond market → Regulate business activities related to securities underwriting with the aim of maintaining order in the primary market.

✓ Conditions of Credit Rating:
In case an underwriter underwrites non-guaranteed bonds, such bonds shall have been rated by at least two credit rating agencies.

- However, non-guaranteed bonds issued by foreign corporations, etc., shall be deemed as those rated in accordance with this provision, if they have been rated by two or more credit rating agencies, including international credit rating agencies designated by the Governor of the FSS. (Article 11 (1))

※ Purpose:
A contract on entrustment of public offering is concluded between the issuer and the trustee before corporate bonds are issued, without any engagement of the bond investors. This may cause disadvantages to the investors, disappointing their reasonable expectations. In this regard, the above provision aims at protecting the investors and preventing any disadvantages to them.
II. KOFIA’s Regulations on the Bond Market: Primary Market

1. Regulations on Securities Underwriting Business (Primary Market)

✓ Roles of the Lead Manager:
The lead manager shall, in relation to the underwriting of non-guaranteed bonds, determine the issuing conditions, such as the coupon rate, upon consultation with the issuer. (Article 12)
- In case a financial investment company is a party related to the issuer, it shall not be allowed to act as a managing underwriter. (Article 13)

✓ Disclosure of Underwriting Records:
The managing underwriter for bond issuance (including privately-placed bond issues) shall report to KOFIA the matters related to the issuer (including underwriting records) within five days from the date of issuance. (Article 18)

2. Improvement of Underwriting of Corporate Bonds: Key Points

✓ Enhanced Corporate Due Diligence:
Make corporate due diligence mandatory when issuing non-guaranteed bonds (revise KOFIA’s regulations) to reduce information asymmetry between the issuer and the investors and protect the investors. → Prepare best practices for due diligence.

✓ Book-Building:
Revise related regulations in order to enhance transparency in determining the issuing rate through book-building. → Prepare best practices for book-building.
II . KOFIA’s Regulations on the Bond Market: Primary Market

2. Improvement of Underwriting of Corporate Bonds: Revisions of Regulations

1. Conclusion of Lead Management Agreement and Report to KOFIA
When a financial investment company is requested to underwrite non-guaranteed bonds, it shall conclude a lead management agreement* 10 business days before submitting the securities registration statement, and report to KOFIA within 5 business days from the date of concluding the contract.

* The lead management agreement should include information on the issuer’s business performance, sales activities, financial soundness, etc.

2. Book-Building in the Case of Public Offering of Non-Guaranteed Bonds
The offering price of non-guaranteed bonds is determined through consultation between the managing underwriter and the issuer, in consideration of the book-building result. If a book-building participant does not subscribe, does not pay the subscription price, provides false information in the application document, etc., it is designated as an unfaithful participant, and is not allowed to participate in book-building or get an allocation of public bonds for six months from the date of designation.

3. Separation of Underwriter and Trustee
Make revisions so that when an underwriter underwrites non-guaranteed bonds, it cannot establish an entrustment agreement with the issuer of those bonds.

II . KOFIA’s Regulations on the Bond Market: Secondary Market

3. Regulations on Business Conduct and Services of Financial Investment Companies

✓ Overview:
KOFIA has enacted and is operating the above-mentioned Regulations in accordance with authorizing provisions of higher laws/regulations, with the goal of enhancing OTC bond market transparency efficiency and price discovery function.

✓ Bond Quotation System:
A financial investment company engaging in bond trading shall report the quotation information and transaction/brokerage details in relation to OTC trading to KOFIA through the FreeBond system without delay. KOFIA shall disclose the information. (Article 7-3, 7-4)

✓ 15-Minute Rule:
A financial investment company engaging in bond trading shall, when trading or brokering bonds with investors in the OTC market, report to KOFIA the details related to such trading within 15 minutes from the point of settlement of the sales agreement. (Article 7-5)
II. KOFIA’s Regulations on the Bond Market: Secondary Market

3. Regulations on Business Conduct and Services of Financial Investment Companies

✓ Disclosure of Final Quotation Yields:
KOFIA discloses the yield of each bond that represents the OTC bond market two times every business day (Article 7-6). This aims at providing the benchmark yields of the Korean bond market, statistical data using the yields, and ultimately promoting market development.

4. Discussions on the Qualified Institutional Buyer (QIB) System

✓ In December 2010, the FSC announced its plan to introduce the QIB system in order to facilitate corporate financing through the capital market, help foreign companies get financing from the Korean capital market, and thereby promote globalization of the capital market.

✓ Discussions are underway in relation to the initial introduction of QIB
III. Asian SRO Significance

Necessity of the Asian SRO

- In order to utilize Asia’s regional savings within the region, it is necessary to promote harmonization and integration of the regional bond markets by standardizing cross-border bond issuance and trading.

  ⇒ it is necessary to actively discuss the future direction of the regional bond markets, including the establishment of the Asian SRO, by forming the SRO Forum inside ABMF.

- The integration of Asian bond markets is to offer convenience to investors, issuers, and financial firms in the process of issuance, distribution and settlement of bonds.

- The European cross-border market is a good example of integration of different systems.

- ICMA is an SRO overseeing the European capital market, including bonds, and serves as an example for Asia on the introduction of a self-regulation framework.
IV. ICMA Case

ICMA?

- ICMA is a trade association established in 1969 in Switzerland and performs SRO functions in the European capital market

- Very active in the international debt market over the years and recently expanded its scope into all aspects of capital markets

- A capital market SRO that mediates the various needs of market participants including issuers, fund managers, dealers and investors

ICMA’s self-regulatory functions

- ICMA functions as an SRO:
  1. Development and maintenance of quality market practices
  2. Supporting and mediating regulations of financial authorities
  3. Offering education and research services
  4. Expanding channels of information-sharing
IV. ICMA Case

- **ICMA structure**

  - ICMA’s highest decision-making body is its General Meeting attended by members.
  - As of June 2011, there were 311 regular members.
  - The Board elected at the General Meeting supervises the association.
  - The Executive Committee is responsible for the executive management and administration.

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**Structure of ICMA**

- General Meeting
- Board
- Chief Executive
- Executive Committee
- Senior Advisory Council
- Audit, Compliance and Governance Committee
- Compensation Committee
- Oversight Committee
- President
- Regional General Meeting
- Committee of Regional Representatives
- Council of Reporting Dealers
- Committee of Reporting Dealers
- Audit Council
- Covered Bond Investors Council
- Asset Management & Investors Council
- Membership Committee
- Regulatory Policy Committee
- Market Practice Committee
- Education Committee
- Legal & Compliance
- Regulatory Policy and Market Practice
- Finance & Administration
- Member Relation & Communication
- ICMA Center
ICMA offers business conduct standards for various sectors of the capital market, and in particular, issues ICMA Handbook for the primary market.

PMH is intended to apply to cross-border issues of securities lead-managed by ICMA members.

PMH introduces various rules that should be applied to the issuance of bonds, their interpretation, and standard contracts.

- Information about Prospectus preparation and the enforcement regulations on public offering and listing
- Matters that should be observed such as regular disclosure after issuance
- Regulations on acts that could disrupt market integrity (i.e. insider trading and market manipulation)
- Regulations on auditing related to securities issuance
- Regulations on the retail sales of structured products
- Regulations on collective action to protect investors etc.
V. Next Step of ABMF

A. Setting up standards on self-regulation

✓ Considering countries’ diverse regulatory environment and the degree of their capital market development, self-regulation led by the market, rather than public regulation, is more appropriate for the cross-border Asian bond market.

✓ This would help establish the standards for the issuance and trading on the Asian bond market, and increase the usage of the standards.

B. Need to establish an SRO Forum within ABMF

✓ To establish an Asian-version ICMA, it is desirable to set up an SRO Forum within ABMF at an early stage, which is to be composed of associations, exchanges, and market participants from Asian countries.

✓ The SRO Forum should build consensus on the need to establish Asian SRO, clarify its definitions of SRO functions, enhance its image, and draw up specific recommendations for the establishment.
V. Next Step of ABMF

C. Mid-Long Term Roadmap for Establishing Asian SRO

- Stage 1: Securing support from ASEAN+3 governments.
- Stage 2: Launching Asian SRO by composing a cooperative body from each country
- Stage 3: Establishing standards on market practices and trading of cross-border bond market and supervising them
Reporting to ABMI TF3
ABMF SF1 workplan for phase 2

Target of Phase 2 study

Outputs of Phase 1
The Market guides to understand commonality and differences in the region

- Cross-Border Bond Markets (Foreign Bond Markets)
  - A Part of Domestic Market
  - Outward issuance by residents, inward issuance by non-residents and cross-border investments
  - Subject to home country or host country rules and regulations
  - Different stage of economic development and heterogeneity in legal and institutional systems and infrastructure
  - Japan – Samurai Bond
  - Korea – Ariran Bond
  - China – Panda Bond

- Inter-Regional International Bond Market in Asia
  - Harmonization of heterogeneous rules and regulations for professionals in
  - Facilitate inter-regional circulation of savings within Asia
  - Creation of self-regulated Asian Inter-Regional (wholesale) bond market for professional market participants
  - For instance, Asian Exchange regulated market

- Homogeneity
  - Eurobond Market
    - Private Placement Market and Public Offering Market for professionals with common standard format
    - Used to be a Self-Regulated Market by professional market players

- Private Placement Market & Public Offering Market in Asia
  - Used to be a Self-Regulated Market by professional market players

- Eurobonds
  - Common format
  - Private placement and public offering

Source: TA report for Harmonization of Bond Standards in ASEAN+3
Target of Phase 2 study

Moving towards more harmonized/integrated markets by:

- Establishing common rules to facilitate timely cross-border/intra-regional bond issue.
  - Regional common MTN program, Reg S type market
- Creating an offshore market suitable for Asian needs and regional regulatory environment to facilitate timely cross-border/intra-regional LCY issue
  - Asian version of Eurobond market

Regional common issue program

There are two approaches to establish regionally applicable common standards and rules:

- Establishing common general rules by harmonization/mutual recognition of regulations. To harmonize public offering rules, this is necessary.
  
  e.g., ASEAN Capital Market Forum (ACMF)

- Focusing on private placement, of which rules can be agreed only among the private parties such as issuers and investors involved. There is no need for harmonization of regulations, but master agreement among issuers and investors needs to be created.
  
  e.g., International Capital Market Association (ICMA)

Creating a common bond issue program for private placement, i.e., for professionals, is more practical approach.
How to create a regional common issue program

- SROs in the region need to cooperate and coordinate.
  - Sharing experiences and knowledge
- Involvement of underwriters (investment banks) and lawyers may be desirable.

How to facilitate cross-border/intra-regional LCY market

- ABMF should propose conditions to relax some regulations and rules without compromising policy objectives.
- For example, qualifications of issuers, investors, and brokers, and other market participants may be discussed to gain some exemptions.
Phase 2 activities

1. Organize a forum mainly composed of regional SROs and regulators
2. Conduct a study to examine market needs
3. Create a common bond issue program
4. Consider a pilot issue
5. Launch a pilot issue based on the common issue program
CREATING A GLOBAL LEGAL ENTITY ID (LEI) STANDARD

Presentation to the 5th Asia Bond Market Forum
Mr. Nicholas de Boursac, CEO ASIFMA
Mr. Tim Woodward, Managing Director JPMorgan

12 September 2011 Bali, Indonesia

Global calls affirming the importance of developing an LEI standard

G-20
- Standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories.
- Progress report on the actions to promote financial regulatory reform; Issued by the U.S. chair of the Pittsburg G-20 Summit (September 25, 2009)

Financial Stability Board
- “Indeed, the recent crisis has reaffirmed an old lesson—good data and good analysis are the lifeblood of effective surveillance and policy responses at both the national and international levels.”
- The Financial Crisis and Information Gaps (October 29, 2009)

July 18th 2011 FSB Plenary Session
- The FSB welcomed the progress of financial regulators and industry to establish a single global system for uniquely identifying parties to financial transactions, and agreed to arrange a workshop in the autumn to discuss the issues that will need to be addressed and how best to coordinate work to take this forward.

EU Internal Market Commissioner Michel Barnier
- “We must also work together in a common identification of market players. This is an area where the U.S. is already committed, but that requires global standards.”
- Speech of February 10th, 2011

IOSCO-CPSS
- The report notes that a system of legal entity identifiers (“LEIs”) would be an essential tool for aggregation of OTC derivatives data, and recommends the expeditious development and implementation of a standard LEI. The report further recommends that the LEIs follow a set of basic principles that address key functions or attributes of an LEI system needed to allow the LEI to support the data aggregation purposes discussed and “The CPSS and IOSCO would welcome comments concerning (a) the recommendation for expeditious establishment and implementation of an LEI, (b) the basic principles for the LEI recommendation in the report, and (c) the appropriate governance of the LEI system.”
- IOSCO Committee on Payments and Settlements Systems report on the OTC derivatives data reporting and aggregation requirements (August 24, 2011)
Benefits to Regulators

A common LEI will be a powerful tool for regulators in monitoring and managing systemic risks.

• Data aggregation more efficient
  – Make it much easier to aggregate and analyze data, eliminating the need for cross-referencing and mapping when combining multiple data sets
  – Allows for much more powerful modeling and risk analysis

• Information sharing & reconciliation
  – Common identifiers will make it easier to share information on legal entities between regulators and across borders
  – Allows for better supervision of cross-border firms and firms whose business lines are overseen by multiple regulators

• Identification of Affiliates and Parent Companies
  – Easier to make connections between parents and affiliates, especially when combined with basic hierarchy data

Benefits to Industry

A global LEI standard will be a powerful tool for firms risk management and operations improvements

Advantages for Risk Management:
• Holistic view of counterparty risks
• Easier data aggregation, modeling, and analysis
• Component for developing “Living Wills”

Other operational benefits to the industry include:
• Integrated view of entities across divisions
• Supports development of hierarchy information
• Processing & settlement efficiency
• Better corporate actions management
• Supports new client on-boarding
Industry’s Global Response

- Given the need for better systemic risk management and the specific request from the Office of Financial Research for an industry driven consensus on legal entity identification:
  - The financial services industry, working through GFMA, formed the Global Trade Association group to formulate a proposal
  - Group included firms from around the globe and several regional and international trade associations
  - The Trade Associations’ objective was to develop a global, consensus based solution for the accurate and unambiguous identification of legal entities engaged in financial transactions.

Global participation and dialogue

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<th>Regulations</th>
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<td>Barclays BNP Paribas, CBBC, Citi, Credit Suisse, Deutsche Bank, Fidelity, Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley, Nomura, RBC, RBS, UBS, As well as over 50 others</td>
<td>IDSD, IBA, ISDA</td>
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Accomplishments

- Trade Association group finalized its recommendation to the global regulatory community on July 11, 2011
  - Transparent process with global participation from firms & other stakeholders
  - Process and requirements document published (May 3) and affirmed by a range of international trade associations
  - Commenced “Solicitation of Interest” process on May 13
  - Evaluated proposals leveraging the resources of many firms and trade associations over the next eight weeks
  - Press release on July 11, 2011, recommends the organizations the Trade Association group believes are best suited to operate a global legal entity identifier (LEI) system
  - Through the process, the group has had regular and continuing dialogue with European and Asian firms, regulators, & trade associations to ensure all views were taken into consideration in the final recommendation

LEI Solution Summary

- Standards body- The International Organization for Standardization, i.e., ISO’s new standard, ISO 17442, is recommended for use as the new, authoritative legal entity identification standard.
- Core Issuing and Facilities Manager – The Depository Trust & Clearing Corporation (DTCC) and the Society for Worldwide Interbank Financial Telecommunications (SWIFT), along with DTCC’s wholly-owned subsidiary AVOX Limited, are recommended as key partners to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance.
- Federated Registration – ANNA, through its network of local national numbering agencies (NNAs), is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers, obligors, and other relevant parties in their home markets. The NNAs are envisioned to serve as the “face” of the LEI Utility to those markets while leveraging the functionality of the centralized LEI Utility for the assignment, further validation and global distribution of LEIs.
Next Steps

- Consult further with the international regulatory community, as well as the recommended organizations and other parties, to understand fully the requirements that could make the global implementation and adoption of the LEI solution possible.
- Work cooperatively with these parties in defining and establishing the LEI governance structure.
- Respond to proposed rulemaking advocating the use of the recommended LEI system where ever legal entity identification is intended to be required.
- Continue to educate and share information about the solution and the benefits of global adoption as needed to endure all market participants have the facts necessary to support and adopt the solution.

Key Milestones

- 3 May – Release of “Requirements for a Global Legal Entity Identifier Solution” outlining an industry consensus for an LEI system and requirements for a future LEI provider
- 13 May – Publication of a Solicitation of Interest (SOI) to solicit responses from potential LEI solution providers
- 11 July – Presentation of an industry recommendation for the organizations that it believes are best suited to operate a global LEI to aid regulators and industry in monitoring systemic risk
- 18 July – FSB welcomed the progress of the financial regulators and industry to establish a single global system for uniquely identifying parties to a financial transaction
- 24 August – IOSCO-CPSS issued its support for the development and implementation of an international legal identifier. IOSCO notes that the establishment of a universal LEI will require an international approach to implementation and international consultation and participation would beneficial.
Upcoming Meetings / Opportunity for Input

- IOSCO seeks comment on CPSS report by 23 September 2011

- FSB meeting in Basel 28 September 2011 will include an LEI workshop, regulators are encouraged to submit their recommendations and/or attend

- G-20 meeting in Cannes 3 November 2011

ASIFMA SEEKS ASEAN+3 Participation

- To identify and communicate the appropriate ASEAN+3 regulators to provide information and updates regarding the LEI development process

- To indentify and communicate regional governmental and non-governmental organizations that could benefit from being fully engaged in the LEI development process

- ASEAN+3 to provide input directly to the global regulatory bodies (G20, FSB, IOSCO) regarding national and regional LEI implementation
Benefits to Regulators

A common LEI will be a powerful tool for regulators in monitoring and managing systemic risks.

- **Data aggregation more efficient**
  - Make it much easier to aggregate and analyze data, eliminating the need for cross-referencing and mapping when combining multiple data sets
  - Allows for much more powerful modeling and risk analysis

- **Information sharing & reconciliation**
  - Common identifiers will make it easier to share information on legal entities between regulators and across borders
  - Allows for better supervision of cross-border firms and firms whose business lines are overseen by multiple regulators

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A global LEI standard will be a powerful tool for firms risk management and operations improvements

Advantages for Risk Management:
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• Better corporate actions management
• Supports new client on-boarding

APPENDIX II
Core Principles for LEI Infrastructure

We have identified core principles that should govern a new LEI framework:

• **Global coordination between regulators** so that all adopt the single, uniform LEI standard as regulatory reporting rules are implemented and avoid multiple, different conventions

• **Non-profit governance**, transparent standards setting process, & stable funding

• **Clearly defined responsibilities for obtaining an LEI**, with self registration as targeted end state

• **Neutral LEIs** with no embedded meaning or information

• **Limited list of data elements** in LEI data model, does include core hierarchy data needed for systemic risk analysis

• **Create a pragmatic, iterative solution** with phased-in implementation consistent with regional regulatory requirements is critical for success, and is essential to global coordination.

• **Data is freely available**, easy to access, without restrictions on redistribution or licensing

Requirements - Scope of Coverage

• **General Breadth**: LEI scope is intended to apply to all countries globally, all industry types, and all asset classes.

• **Principle of Eligibility**: For purposes of LEI eligibility, any "party to a financial transaction" shall be eligible to obtain an LEI, providing the entity meets the scope requirements highlighted below.

  – **Individuals**: Individuals (i.e., natural persons) are excluded from LEI scope.

  – **Roles**: A legal entity playing one or more of the following roles in a financial transaction will be in scope for the initial release of the LEI Solution:

    • Transacting entities, Issuing entities, Reference entities, Reporting entities, Ultimate parent entities, Other participants in financial transactions as deemed necessary in the future (e.g., exchanges, utilities, registrars, regulators, industry organizations).

• **Materiality**: The LEI scope will not apply a materiality threshold of any type to the issuance of LEIs (e.g., capitalization of legal entity, notional size of transaction).
Requirements - Data Model

• **International Data Standard:** The LEI Solution should serve as the internationally recognized data standard for the identification of legal entities, provided that standard includes at least the following characteristics: persistent; neutral; singular; unique; extensible; structurally fixed; reliable; and interoperable.

• **Attributes/Metadata**
  - The initial data model should include the following attributes and treat them as mandatory: LEI (i.e., the identifier itself); exact legal name; address; country of formation; legal form; ultimate parent LEI; LEI status (e.g., available, disabled); and other metadata (e.g., date LEI issued; last updated; date disabled).
  - The data attributes noted above may be specifically linked to the standard itself, or captured as part of the overall mandatory data model. The data attributes specifically linked to the standard should be kept as simple as possible to avoid the potential complication of having to update the standard if definitions are modified, (e.g., a changed status code).
  - Immediate parent will not be mandatory in the initial release but will be available to be populated in the data model.

• **Ownership Test:** Ownership shall be defined as “greater than 50% ownership”.
  - If there is no owner with greater than 50%, then the legal entity itself is entered as the ultimate parent.

Requirements - Operating Model

• **Self-Registration Model**
  - The LEI registration process intends to rely on a self-registration model whereby entities eligible for an LEI register at least the required information about themselves, and then certify that information periodically (no less than annually), or upon changes to such data.
  - The LEI Solution Provider (LEI SP) over time shall work with the global regulators and the LEI Governance Committee to fully require and enforce self-registration.
  - **Extended Implementation:** During an extended implementation phase, the LEI SP has the flexibility to offer both a self-registration process and an alternative mechanism for assigning LEIs to entities that are not required to have an LEI and choose not to self-register.

• **Data Quality**
  - Where required to obtain an LEI, the legal entity itself has the ultimate responsibility for maintaining the accuracy of the data associated with its LEI.
  - The LEI SP shall implement a process whereby LEI consumers can challenge the accuracy of the LEI data (e.g., missing data, incorrect data) by initiating a “Request for Review”.
  - The LEI SP shall implement a comprehensive quality assurance process to facilitate accurate and up to date LEI data.

• **Data Access:** Access to LEI data should be unrestricted and freely available to all users (except where prohibited by jurisdictional law, rules or regulations).

• **Service Level Agreements (SLAs):** SLAs must be defined and implemented to manage the interactions between the LEI Solution providers and all LEI stakeholders.
Requirements - Governance Model

- **Data Governance:** The LEI (i.e., the identifier itself) shall be maintained and governed by a global voluntary consensus standards body.
- **LEI Solution Governance:** The LEI Solution provider requires a single global governance committee (“LEI Governance Committee”) comprised of global market participants (e.g., trade associations, regulators and supervisors, utilities).
- **Accountability:** The LEI Solution provider(s) shall be accountable to the LEI Governance Committee.
- **Funding:** The LEI Solution shall be managed on a cost recovery basis. As such, the Trade Associations are agnostic to the overall structure of the LEI Solution provider (e.g., not-for-profit; private).
- **Intellectual Property:** The LEI Governance Committee shall provide oversight to ensure the appropriate treatment of any LEI intellectual property that is created as part of the LEI solution, including data, data model, industry facing interfaces, and to protect the openness of the solution, the stakeholders and the solution providers. The LEI Governance Committee shall also oversee contract rights to the services provided by the LEI Solution.
- **Regional Capability:** The Governance Committee will ensure that the LEI Solution provider has the capability to support regional conventions and regulations and provide local certification while maintaining a single global standard, centralized repository and issuance system.
- **Local Regulatory Requirements:** The physical location of the LEI database, as well as the access rights to the information contained within it, must consider and comply with local regulations related to data privacy and data access issues.

Requirements - Business Model

- **Financial Wherewithal:** The LEI Solution provider must demonstrate its financial capacity to deliver and maintain the LEI Solution, including its ability to meet expected initial start up requirements.
- **Fee Structure**
  - The LEI Solution shall be funded through a basic annual fee paid by each legal entity that obtains an LEI as well as other potential fees for customized services.
  - The basic annual fee structure is intended to cover the cost of issuing LEIs (including the validation and maintenance costs), as well as the interface that makes the data freely available to consumers.
  - The annual fee should also provide for a reasonable reserve fund intended to cover various expenses.
  - Given expected varying levels of use and consumption, a reasonable fee structure for consumers requiring customized services beyond the free interface (e.g., a daily feed of new LEIs issued) should be established by the LEI Solution provider to cover the costs of such services. Such a fee structure should seek to ensure that the basic annual fee is kept to the lowest amount possible for LEI registrants that have limited financial market activity and have little or no need of services beyond obtaining an LEI.
  - The LEI Governance Committee will oversee the fee structure to ensure it is being operated on a cost recovery basis and provides the lowest possible annual fee structure.
Requirements - Implementation & Compliance

Implementation

- **Phased Implementation**: The implementation of the LEI Solution should be phased and sequenced according to global regulatory requirements.
- **Grace Period**: For each implementation phase (both within and across regions), a reasonable grace period should be implemented during the registration period before enforcement begins.
- **Implementation Management**: The LEI Solution provider shall create and execute against a comprehensive implementation roadmap.

Compliance

- **Mandate**: To be fully effective and avoid regulatory arbitrage, the LEI Solution is explicitly dependent upon global regulators consistently requiring the following:
  - in-scope legal entities register with the LEI Solution provider;
  - in-scope legal entities maintain the accuracy and completeness of their data with such provider;
  - in-scope transacting entities provide their LEI to counterparties with whom they are transacting (or otherwise make the LEI available where required for regulatory reporting by other financial market participants);
  - in-scope non-transacting entities (i.e., reference entities; issuing entities; reporting entities; and other entities) provide LEI information as required by regulators;
  - a consistent definition of eligibility criteria for the issuance of an LEI; and
  - a consistent definition of in-scope entities.

Requirements - Technical Principles

- **Principles**: The technical design, architecture, and support framework of the LEI Solution shall be capable of delivering the standards and requirements in this document, including but not limited to, the following:
  - globally consistent technology, operating, and support capabilities;
  - ability to support a single consolidated database in both a centralized and decentralized fashion;
  - interfaces (e.g., format of messages, communication protocols) required to communicate with the LEI Solution should adhere to non-vendor specific standards to ensure portability of the capabilities of the LEI Solution;
  - support a range of messaging formats (e.g., XML and pipe delimited formats) and communication protocols (e.g., SFTP and HTTPS) to ensure that all market participants are technically capable of consuming and interacting with the LEI data;
  - current and historical LEI data must be retained and easily transferable to another LEI Solution provider;
  - meet the bi-directional data collection and data distribution requirements; and
  - adopt information security standards commensurate with the global financial and regulatory community, including protection of subscription and feed information (such data implies entities interested in / transacting with financial institutions).
- **Technical Evaluation**: The technical criteria identified in the proposal will form the basis for a comprehensive technical evaluation.
APPENDIX III

Resources

Additional information on the LEI Requirements & SOI process can be found at:

- Provider Q&A's, Round 1: http://www.sifma.org/uploadedFiles/Issues/Technology_and_Operations/Legal_Entity_Identifier/LEI-ProviderQuestionResponses-Round1.pdf
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How to improve market data collection in Asia: Case of TFIIC

5th ASEAN+3 Bond Market Forum
Bali Indonesia
11-13 September 2011

Pusadee Ganjarerndeep
Statistics and Information Systems Department
Bank of Thailand

1. Background
2. Thailand Financial Instrument Information Center (TFIIC)
3. Standards
4. Challenges
5. Glance at TFIIC
Background

Bank of Thailand’s requirements for financial instrument data. Objectives and data model for BOT’s Financial Market Information System.

• After 1997 Asian Crisis, foreign and domestic banks that was hit by huge amount of NPL were extremely cautious in providing credit
• Corporate financing in Thailand, that have relied heavily on equity and bank’s borrowing, was diversified to other sources of funding such as direct borrowing in bond market
Background

• Asian and subprime crisis in 1997 and 2007 highlighted the need for central banks, policy makers and international financial community to have integrated sets of timely and reliable statistics to assess financial stability in countries, as well as the degree of interconnectedness with the global economy.

• Central banks have limited information on transactions and positions of individual securities, while there is the need to use in-depth information of securities data to analyze economic and financial conditions.
BOT’s Role and demand for securities data

• Compilation of macro-economic statistics in accordance with international standards and guidelines
• Information for monetary policy formulation and implementation

• Monitoring short-term capital inflows such as investments in Baht denominated debt securities by non-resident investors
• Assessing financial institutions’ risk exposure and financial soundness
Financial Market Instrument System (FMI)

- During 2005-2009, the BOT developed a comprehensive securities database (Financial Market Instrument System: FMI).
- The project was developed based on the basic foundation of Central Data Warehouse - data is collected via security-by-security approach.
- The system was designed and developed with appropriate tools to accommodate for various needs from BOT internal users.

Objectives of BOT's Financial Market Instrument System

- Centralized securities data
- Implement international data standards
- Increase efficiency of data management system
  - Improve data quality and speed of submission
  - Remove redundancy
  - Data storing & Processing
  - Data dissemination
- Decrease reporting burden of data provider
- Satisfy the business demand and user's requirement
Choosing Data Model for BOT-FMI

- 2 approaches to collect securities data
  - Security by security approach
  - An aggregated approach

Security by security approach

- Using security identifier, ISIN, for each individual security. Information on each security will be collected from data provider.
- This requires compilers to maintain securities reference database where basic information on issuers and holders as well as financial instruments are stored.
Security by security approach

• The reference data may change due to corporate actions
  – mergers and acquisitions
  – private to public company
  – local to foreign company

• The characteristics of securities may change due to business events
  – convertible bond, credit rating etc.

Security by security data base

• Besides reference data, the database will also store transactions data
  – stock & flow data
  – Price
  – transfer of ownership

• The compiler aggregates data according to the required output dimensions by linking transactions data with reference database.
An aggregated approach

- Under this approach, data providers are requested to prepare and group data in the required output format, with several breakdowns to support various types of users.
- Changes to the holders (for marketable securities), may result in changes in transactions data.

BOT-FMI Data Model

- BOT implement FMI using security-by-security approach (S-b-s)
  - FMI collects security information for each security at the micro level
  - comprises of two dataset - Reference Data and Transaction Data
- S-b-s is flexible for changing requirements and in the long-run could reduce burden for reporters. Even though the startup cost is high.
Overview Data Model of S-b-s

Reference data

- ISIN Code
- Issuer ID
- Security Name
- Issued Date
- Maturity Date
- Par Value
- Coupon
- Security Type
- Currency

Transaction data

- ISIN Code
- Issuer ID
- Security Name
- Issued Date
- Maturity Date
- Par Value
- Coupon
- Security Type
- Currency

Outstanding
- ISIN Code
- Holder Type
- Total Unit Issued
- Total Value Issued

New Issued
- ISIN Code
- Holder Type
- Total Unit Issued
- Total Value Issued

Price
- ISIN Code
- Holder type
- Market Prices
- Issued Price

Data Provider for BOT-FMI: Reference Data

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<tr>
<th>Data Provider</th>
<th>Reference Data</th>
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<td>SET</td>
<td></td>
</tr>
<tr>
<td>TSD</td>
<td></td>
</tr>
<tr>
<td>ThaiBMA</td>
<td></td>
</tr>
</tbody>
</table>

Data Provider Reference Data

- BOT-FMI
- SEC
- SET
- TSD
- ThaiBMA
Data Provider for BOT-FMI: Reference Data

• Bank of Thailand
  – As the registrar for Government Securities

• Security Exchange Commission (SEC)
  – Information on the approval of new issuance of securities by resident corporate

• Stock Exchange of Thailand (SET)
  – Information on Property Fund

Data Provider for BOT-FMI: Reference Data

• Thailand Securities Depository (TSD)
  – Equity securities information

• Thai Bond Market Association (ThaiBMA)
  – Information on debt securities to be traded in secondary market
Data Provider for BOT-FMI: Transaction Data

- **Bank of Thailand (BOT)**
  - New issuance, Outstanding of government securities classified by Holders
- **Security Exchange Commission (SEC)**
  - Outstanding of corporate securities classified by Holders’ group
- **Stock Exchange of Thailand (SET)**
  - Information on equity securities trading
Data Provider for BOT-FMI: Transaction Data

- **Custodian**
  - Outstanding of securities classified by Holders’ group
- **Thai Bond Market Association (ThaiBMA)**
  - Information on debt securities trading

---

**BOT-FMI System Process**

<table>
<thead>
<tr>
<th>INPUT</th>
<th>PROCESS</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOT</td>
<td>Validation: Check data format &amp; possible value</td>
<td>FMI Data Base</td>
</tr>
<tr>
<td>SEC</td>
<td>Reconciliation: Check for consistency by comparing data from two sources</td>
<td>Report</td>
</tr>
<tr>
<td>SET</td>
<td>Comparison: Compare data from two periods to check for consistency</td>
<td></td>
</tr>
<tr>
<td>TSD</td>
<td>Adjustment: Make adjustments for Statistical purposes by Data Compilers</td>
<td></td>
</tr>
<tr>
<td>ThaiBMA</td>
<td>Prorating: Make adjustments for Statistical purposes by Data Compilers</td>
<td></td>
</tr>
</tbody>
</table>
BOT-FMI Challenges

- Need Flexible System
- Various requirements
- Standard Code
- Data Dialects
- Dimensions & Definition
- Different missions
- Several Data Sources

Thailand Financial Instrument Information Center (TFIIC)
From BOT-FMI to TFIIC
Vision and Scope

- Establish the Thailand Securities Information Center that collects securities reference data and also securities’ transactions and positions summary using international standard classification.

TFIIC Implementation Framework

Source: BRF by KU, UNIC, UNECE (Adopted from an Enterprise Architecture Development Methodology, TOGAF 9. ADM)
A. Obtain Political Will

Capital Market Master Plan

Mission No.4

Measure No.4.10

Establish the Thailand Securities Information Center that collects securities reference data and also securities’ transactions and positions summary using international standard classification. Data will be shared among agencies and investors for reference and for effective decision making. (within 2011)

Capital Market Development Committee

- The Prime Minister has appointed the Capital Market Development Committee on January 27, 2009. The Committee is tasked with formulating an overall master plan for the development of Thai capital market, as well as monitoring the implementation of such plan. The Committee comprises of the Minister of Finance as the chairperson and experts from public and private sectors.

<table>
<thead>
<tr>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Policy Office</td>
</tr>
<tr>
<td>Public Debt Management Office</td>
</tr>
<tr>
<td>Office of the National Economic and Social Development Board</td>
</tr>
<tr>
<td>Department of Business Development</td>
</tr>
<tr>
<td>Revenue Department</td>
</tr>
<tr>
<td>State Enterprise Policy Office</td>
</tr>
<tr>
<td>Government Pension Fund</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authority Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Securities and Exchange Commission</td>
</tr>
<tr>
<td>Stock Exchange Thailand</td>
</tr>
<tr>
<td>Bank of Thailand</td>
</tr>
<tr>
<td>Office of Insurance Commission</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Thai Bankers’ Association</td>
</tr>
<tr>
<td>Association of Securities Companies</td>
</tr>
<tr>
<td>Thai Listed Companies Association</td>
</tr>
<tr>
<td>Association of Investment Management Companies</td>
</tr>
<tr>
<td>Thai Bond Market Association</td>
</tr>
<tr>
<td>Federation of Thai Capital Market Organizations</td>
</tr>
<tr>
<td>Capital Market Fund Development Foundation</td>
</tr>
</tbody>
</table>
Benefits from TFIIC

- Promote competition in the Thai capital market and build link with global market system
- Reduce data management cost and redundancy of securities data
- Improve monitoring capability and effective development of capital market
- Corporations and Investors have adequate information for making reasonable decisions

Benefits from TFIIC

- Central data management system for financial instrument data for authorities, corporate, investors.
- Connect related agencies and improve interagency collaboration
- Promote sharing of information
- reduce data management cost
- Reduce redundancy of securities data
TFIIC Implementation Framework

- Vision and Scope
- A. Obtain Political Will
- B. Establish and Mandate Collaborative Task Force
- C. Business Architecture
- D. Data Harmonized and Standardize Code
- E. Business and Technology Architecture
- F. Migration Planning
- G. Implementation Governance
- H. Change Management

TFIIC

Source: SWIFT by KOI, UA, UNICE (Adopted from an Enterprise Architecture Development Methodology, TOGAF-9. ADM)

B. Establish and Mandate Collaborative Task Force

TFIIC MOU Agreement on December 21, 2010
Establish a collaborative task force

- Task force for development of TFIIC comprised of representatives from 5 agencies
  - Bank of Thailand
  - Public Debt Management Office
  - Office of the Securities and Exchange Commission
  - Stock Exchange Thailand
  - Thai Bond Market Association

TFIIC founding Members

- Public Debt Management Office (PDMO)
  - PDMO is established under the umbrella of the MOF. The scope of its responsibility includes public debt and liability management (including state enterprise's debt guaranteed).

- Bank of Thailand (BOT)
  - BOT serves as an official registrar for public debt securities; namely, treasury bills, government bonds, Bank of Thailand bonds, Financial Institutions Development Fund's (FIDF) bonds and some other state enterprise bonds.
TFIIC founding Members

- **Office of the Securities and Exchange Commission (SEC)**
  - SEC is government authority that approves new issuance of both equity and debt securities of resident corporate, either in the domestic or offshore markets.

- **Thai Bond Market Association (Thai BMA)**
  - Thai BMA is a private entity established under the Securities and Exchange Commission Act (B.E. 2535) mandated as a sole information center for yields and prices of bonds in Thailand.

- **The Stock Exchange of Thailand (SET)**
  - SET serve as a center for the trading of listed securities, a clearing house, securities depository center, securities registrar, or similar activities and to provide the essential systems needed to facilitate securities trading.
TFIIC Task force and project management

Project Steering Committee
- Assistant Governor - Information Technology Group (BOT)
- Deputy Director - General (PDMO)
- Deputy Secretary - General (SEC)
- Group Head IT Management (SET)
- Executive Vice President (ThaiBMA)

Project Management Team
- Staff from BOT
- Staff from SEC

Bank of Thailand
- Public Debt Management Office
- Office of the Securities and Exchange Commission
- Stock Exchange Thailand
- Thai Bond Market Association

TFIIC Project Plan

<table>
<thead>
<tr>
<th>Track 1: Project Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Track 2: Business Requirement Gathering</td>
</tr>
<tr>
<td>Track 3: Work Process and Responsibilities</td>
</tr>
<tr>
<td>Track 4: Business Analysis Level</td>
</tr>
<tr>
<td>Track 5: Solution Architecture</td>
</tr>
<tr>
<td>Track 6: Development TFIIC</td>
</tr>
<tr>
<td>Track 7: Legacy System Enhancement</td>
</tr>
<tr>
<td>Track 8: Initial Data for TFIIC</td>
</tr>
</tbody>
</table>

*** TFIIC is now under development and will be launched by early 2012
Track 1: Project Management to perform project management on day-to-day basis, Organize meeting and report project progress to Capital Market Development Sub-Committee, Project Steering Committee. Prepare budgeting document, organize meeting and training for project team as necessary.

Track 2: Business Requirement Gathering to gather business requirement for securities information needs in all aspects from all project partners – SEC, BOT, SET, POMO, ThaiBMA.

Track 3: Work Process and Responsibilities to analyze and define new data acquisition and data quality management process. Prepare code of practice document for all participants.

Track 4: Business Analysis Level to analyze data requirement and design data set to be reported i.e. instruments data, issuers data. Also identify validation rules to ensure data quality and data migration rules for existing data to new system.

Track 5: Solution Architecture to design Thailand Securities Information Center system architecture, inter-agency data exchange channel, define technology used for data acquisition and dissemination.

Track 6: Development TFIIC to design and development of reference data center on instruments and entities related to securities as well as transaction data center, and also presentation reports for public users and inter-agency data exchange channel.

Track 7: Legacy System Enhancement to develop or adjust existing system of each agency to prepare initial data for Thailand Securities Information Center.

Track 8: Initial Data for TFIIC: to prepare and migrate historical data.

TFIIC Implementation Framework

Source: SWIF by KU, UA, UNECE (Adopted from an Enterprise Architecture Development Methodology, TOGAF-9 ADM)
C. Business Architecture

- Business Process analysis
  - Working group study “as-is” process and agree upon the “to-be” process and also define impact to current process and needs for development
- Single Point of security registration
- Data Coverage

Securities Data Management Process

<table>
<thead>
<tr>
<th>As is</th>
<th>To be</th>
<th>Usage</th>
</tr>
</thead>
</table>

1. Each agency has its own mission
2. Information scatter in many organization
3. Different standards and definitions
4. Lack of data exchange between agencies

Mission No. 4
Develop efficient infrastructure framework in legal, regulations, accounting, tax, information, technology and enforcement

1. Policy making
2. Capital market development
3. Analyze market situation and supervision
4. Statistics
Transaction Data Process

TFIC: Transaction Information includes New Issuance, Outstanding by Holders, Outstanding by Security Type

Collect Transaction Data from various providers

Compile Security Statistics

Submit Transaction Data to TFIC

Data Coverage

Financial Instrument
- Debt
- Equity
- Derivatives
- Trust certificate (Sukok)
- Unit Trust

Transaction
- Outstanding
- Flow
- Price

Data Coverage
- Fund raised in Thailand
- Thai Corporate raise fund abroad
- Thai investors invest abroad
A. Obtain Political Will
B. Establish and Mandate Collaborative Task Force
C. Business Architecture
D. Data Harmonized and Standardize Code
E. Business and Technology Architecture
F. Migration Planning
G. Implementation Governance
H. Change Management

TFIIC Implementation Framework

D. Data Harmonized and Standardize Code

- Define harmonized securities registration template
- Define Single Number for each security
- Agreement to use standard classification
  - financial instruments (CFI)
  - business classification (ISIC rev 4.0)
  - Trading Market (MIC)

Source: SWIF by KO, UA, UNECE (Adopted from an Enterprise Architecture Development Methodology, TOGAF-9. ADM)
TFIIC Implementation Framework

A. Obtain Political Will
B. Establish and Mandate Collaborative Task Force
C. Business Architecture
D. Data Harmonized and Standardize Code
E. Solutions and Technology Architecture
F. Migration Planning
G. Implementation Governance
H. Change Management

Vision and Scope

E. Solutions and Technology Architecture

- TFIIC using Security by Security Approach
- Stakeholder access data via TFIIC Website
- Data Exchange among members using Web service
TFIIC Architecture Overview

- Registry Information and Involved Party
- Securities Transaction Data
- http://WWW.TFIIC.ORG
- Public User
- Premier User
- Founding Members
- Data Manager
- Data Consumer

TFIIC Management Role and Responsibilities

- TFIIC Steering Committee
  Define policy for data dissemination, approve the Premier User status, Data Exchange among founding members and approve of new reports

- Data Consumer
  Public users will have access right to access data from TFIIC Website
Data Provider
Agent who is responsible for the submission of Reference Data and Transaction Data to the Data Acquirer using predetermine format and structure within the specific time.

Data Acquirer
Agent who is responsible for the submission of verified Reference Data and Transaction Data to TFIIC using predetermine format and structure within the specific time.

Data Manager
Agent who is responsible for maintenance of the TFIIC Website and Data Exchange services. Develop tools for the dissemination and retrieval of data from TFIIC and also provide the help desk services.
Overview Data Model of S-b-s

Reference data

Security Features
- ISIN Code
- Issuer ID
- Security Name
- Issued Date
- Maturity Date
- Par Value
- Coupon
- Security Type
- Currency
...

Involved Party
- Involved Party ID
- Involved Party Name
- Business Sector
- Country of Resident Role
...

Outstanding
- ISIN Code
- Holder Type
- Total Unit Issued
- Total Value Issued

New Issued
- ISIN Code
- Holder Type
- Total Value Issued
- Total Unit Issued

Price
- ISIN Code
- Holder type
- Market Prices
- Issued Price

Transaction data

Roles and Responsibilities

- Reference Data is managed by SEC
  - responsible for the approval of new issuance for both equity and debt securities of resident corporations, either in the domestic or offshore markets

- Transaction Data is managed by BOT
  - has the FMI system and connection with data provider.
F. Migration Planning

- Each founding members analyze and define the Data Gap between its own system and TFIIC
- Cleansing or Mapping data from Legacy systems to TFIIC
- Historical data migration
TFIIC Implementation Framework

A. Obtain Political Will
B. Establish and Mandate Collaborative Task Force
C. Business Architecture
D. Data Harmonized and Standardize Code
E. Solutions and Technology Architecture
F. Migration Planning
G. Implementation Governance
H. Change Management

G. Implementation Governance

- Define and Mandate Code of Conduct for TFIIC
- Define and Mandate Service Level Agreement
TFIIC Implementation Framework

A. Obtain Political Will
B. Establish and Mandate Collaborative Task Force
C. Business Architecture
D. Data Harmonized and Standardize Code
E. Solutions and Technology Architecture
F. Migration Planning
G. Implementation Governance
H. Change Management

H. Change Management

- Create awareness and provide training for both founding members and stakeholders
- Collection lessons learnt
- Propose next improvement(s) to ensure business continuity
Standards

TFIIC is designed to collect data using international standard classifications

Application of international standards

• For international comparability, existing international standards can be used for most dimensions:
  – economic sector based on the National Systems of Accounts (SNA) and its family statistics including BOP, IIP, GFS and MFS
  – economic activity can be based on the ISIC Rev. 4
  – Security identifier use international agreed ISIN code
  – Instrument type as well as the original maturity could also be based on the classification of financial transactions in the NSA/ESA.
## Standards

<table>
<thead>
<tr>
<th>Standard</th>
<th>International Standard</th>
<th>Example</th>
</tr>
</thead>
</table>
| Financial Instrument Reference | ISO 6166 : International securities identification numbering system (ISIN) | **Domestic**  
- Debt : Bank of Thailand Bond  
  - ISIN Code : TH0655D7L986  
  - Thai BMA Code : CB11922A  
- Equity : NATURAL PARK PUBLIC COMPANY LIMITED  
  - ISIN Code : TH0329A10Z07  
  - SET Code : N-PARK | **Foreign**  
- Ford Motor Co.  
  - ISIN Code : US345370BW93  
  - CUSIP : 345370860 |

<table>
<thead>
<tr>
<th>Standard</th>
<th>International Standard</th>
<th>Example</th>
</tr>
</thead>
</table>
ISIN : US4592001014  
CFI : ESVUFR  
- E = Equities  
- S = Share  
- V = Voting  
- U = Unrestricted (no ownership/transfer restriction)  
- F = Fully paid  
- R = Registered |
### Standards

<table>
<thead>
<tr>
<th>Standard</th>
<th>International Standard</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>ISO 10383 : Code of Exchange and Market Identification (MIC Code) used to identifying</td>
<td>Thailand currently has 6 market :</td>
</tr>
<tr>
<td></td>
<td>exchanges, trading platforms and regulated or non-regulated markets as sources of prices</td>
<td>1. AFET (AGRICULTURAL FUTURES EXCHANGE OF THAILAND)</td>
</tr>
<tr>
<td></td>
<td>and related information in order to facilitate automated processing.</td>
<td>2. BEEX (BOND ELECTRONIC EXCHANGE)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. TFEX (THAILAND FUTURES EXCHANGE)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. XBKF (STOCK EXCHANGE OF THAILAND – FOREIGN BOARD)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. XBKK (STOCK EXCHANGE OF THAILAND)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. XMAI (MARKET FOR ALTERNATIVE INVESTMENT)</td>
</tr>
</tbody>
</table>

### Standards

<table>
<thead>
<tr>
<th>Standard</th>
<th>International Standard</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Sector</td>
<td>ISIC rev 4.0</td>
<td>A0146 Raising of poultry</td>
</tr>
<tr>
<td></td>
<td>K6411 Central banking</td>
<td>K6419 Other monetary intermediation</td>
</tr>
<tr>
<td></td>
<td>K6530 Pension funding</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>ISO 3166</td>
<td>TH = Thailand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>JP = Japan</td>
</tr>
<tr>
<td>Currency</td>
<td>ISO 4217</td>
<td>THB = Thai Baht</td>
</tr>
<tr>
<td></td>
<td></td>
<td>JPY = Japanese Yen</td>
</tr>
<tr>
<td>Country Group</td>
<td>Conform international treaty</td>
<td>EU</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ASEAN</td>
</tr>
</tbody>
</table>
## Standards

<table>
<thead>
<tr>
<th>Standard</th>
<th>International Standard</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution Type</td>
<td>Conform to IMF, SNA, BIS</td>
<td>Standard of National Account (SNA)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Resident</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- General government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Financial corporations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Non-financial corporations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Non-profit institutions serving households</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Non-resident</td>
</tr>
</tbody>
</table>

## Standards

<table>
<thead>
<tr>
<th>Standard</th>
<th>International Standard</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involved Parties</td>
<td></td>
<td>Domestic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Register id</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Personal id</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Organization id</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Tax id</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Foreign</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- ISO 9362 : SWIFT Code</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- CITIBANK N.A. SWIFT Code : CITIUS33</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Passport No.</td>
</tr>
</tbody>
</table>
Standards

- TFIIC Data Model based on Financial Instrument Business Information Model (FIBIM) that include as one part in ISO Standard for Financial Services Messaging (ISO 20022)

Securities Data Model
Challenges

TFIIC Challenge

• Data Cleansing
  – each organization must do the data cleansing to conform with new standards

• Balancing between organization benefits and public benefits
  – some investment must be contributed to the project

• Support from Top Management
  – long-term project require continuous support from Top management (project team could change during the project development)
Challenge

• Communication
  – good change management is significant both for internal and external stakeholders who are impacted by the project

• Regulations
  – TFIIC works under current rules and regulations and some are required to be revised

Glance at TFIIC
Glance at TFIIC

www.tfiic.org/TFIIC_TH/Pages/Home.aspx

Thank you for your attention

PusadeeG@bot.or.th
The ABO Platform

- Promote public awareness of the ABMI
- Hub for local currency bond markets
- Deepen engagement with institutional investors
- Facilitate information exchanges among member countries on developments in the local currency markets
- Broaden interaction with market regulators
AsianBondsOnline

- one-stop clearinghouse for information on sovereign and corporate bonds
- centralized access to information about the region’s developing bond markets
- provides data on current market activities and performance, legal and regulatory framework of each market, and monitors government policies and initiatives

AsianBondsOnline Data

- Asia Bond Indicators – contain key economic and financial data pertinent to the bond markets of ASEAN+3 economies
- Market Watch and Major Regional Movers – a comprehensive comparable data on local and foreign benchmark bond issues; currency, commodity, and interest rates; and sovereign ratings
- Credit Risk Watch – comprehensive view of credit risk and volatility issues
Data Sources

- Government Agencies - finance ministries, central banks, bond exchanges
- Information Vendors – Bloomberg LP, Reuters, Thomson Reuters, CEIC, bond pricing agencies
- Online Databases – IFS, WDI Online

AsianBondsOnline Indicators

- Size and Composition
  - Size of LCY Bond Market
  - Historical Growth of Asian LCY Bond Market
  - Issuance Volume
  - Government Securities Maturity Profile
  - Investor Profile
- Market Liquidity
  - Trading Volume
  - Turnover Ratio
- Yields, Return and Volatility
- Liquidity Survey
### Bonds Outstanding in Major Markets

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>% of World Total</th>
<th>1996</th>
<th>% of World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>25.35</td>
<td>38.8%</td>
<td>10.93</td>
<td>42.9%</td>
</tr>
<tr>
<td>Japan</td>
<td>11.72</td>
<td>17.9%</td>
<td>4.46</td>
<td>17.5%</td>
</tr>
<tr>
<td>France</td>
<td>3.17</td>
<td>4.8%</td>
<td>1.26</td>
<td>4.9%</td>
</tr>
<tr>
<td>Germany</td>
<td>2.62</td>
<td>4.0%</td>
<td>1.89</td>
<td>7.4%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.65</td>
<td>2.5%</td>
<td>0.68</td>
<td>2.7%</td>
</tr>
<tr>
<td>Emerging East Asia</td>
<td>5.21</td>
<td>8.0%</td>
<td>0.53</td>
<td>2.1%</td>
</tr>
<tr>
<td>of which: PRC</td>
<td>3.05</td>
<td>4.7%</td>
<td>0.06</td>
<td>0.2%</td>
</tr>
<tr>
<td>Emerging East Asia excl. PRC</td>
<td>2.16</td>
<td>3.3%</td>
<td>0.47</td>
<td>1.8%</td>
</tr>
<tr>
<td>of which: Rep. of Korea</td>
<td>1.15</td>
<td>1.8%</td>
<td>0.28</td>
<td>1.1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.34</td>
<td>2.0%</td>
<td>0.30</td>
<td>1.2%</td>
</tr>
<tr>
<td>India</td>
<td>0.71</td>
<td>1.1%</td>
<td>0.08</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: Bank for International Settlements and AsianBondsOnline.

### Growth of Emerging East Asia Bond Market

![Growth of Emerging East Asia Bond Market](asianbondsonline.adb.org)
### Data on Government Bonds Outstanding

<table>
<thead>
<tr>
<th>Markets</th>
<th>Local Source</th>
<th>Data Vendor</th>
<th>Data Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>✓</td>
<td></td>
<td>ChinaBond</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>✓</td>
<td></td>
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</tr>
<tr>
<td>Indonesia</td>
<td>✓</td>
<td>Debt Management Office, Indonesia Stock Exchange, Bank Indonesia</td>
<td></td>
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<tr>
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### Data on Corporate Bonds Outstanding

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Timeliness of Data Releases

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<tr>
<td>Republic of Korea</td>
<td>✓</td>
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<tr>
<td>Malaysia</td>
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<tr>
<td>Viet Nam</td>
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</tr>
</tbody>
</table>

Note: Data for Indonesia and Thailand as of end-June 2011. Data for the Republic of Korea, Malaysia, and Japan as of end-March 2011.

Source: Asia Bond Monitor.

Foreign Holdings in LCY Government Bonds

Note: Data for Indonesia and Thailand as of end-June 2011. Data for the Republic of Korea, Malaysia, and Japan as of end-March 2011.

Source: Asia Bond Monitor.
### Data on Foreign Holdings of LCY Government Bonds

<table>
<thead>
<tr>
<th>Markets</th>
<th>Data Source</th>
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</table>

[asianbondsonline.adb.org](http://asianbondsonline.adb.org)

### Investor Profiles

#### People’s Republic of China

- [Graph](http://asianbondsonline.adb.org)

#### Republic of Korea

- [Graph](http://asianbondsonline.adb.org)

#### Indonesia

- [Graph](http://asianbondsonline.adb.org)

#### Thailand

- [Graph](http://asianbondsonline.adb.org)

[asianbondsonline.adb.org](http://asianbondsonline.adb.org)
### Data on Investor Profile

<table>
<thead>
<tr>
<th>Markets</th>
<th>Government</th>
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</tr>
</tbody>
</table>

### Government Bond Yields

**China, People’s Rep. of**

![Graph showing government bond yields for China](image)

**Indonesia**

![Graph showing government bond yields for Indonesia](image)

**Thailand**

![Graph showing government bond yields for Thailand](image)
Credit Spreads – LCY Corporates AAA vs. Government Bonds

Source: Asia Bond Monitor

Data on Government Bond Yields

<table>
<thead>
<tr>
<th>Markets</th>
<th>Government Bond Yields</th>
<th>Credit Spreads</th>
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</thead>
<tbody>
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Thank You
Promoting Indonesia Bond Market Transparency & Liquidity

5th ASEAN+3 Bond Market Forum (ABMF) Meeting
Grand Intercontinental Hotel, Nusa Dua Bali
12-13 September 2011

Objective
- Independent
- Credible
- Transparent

About IBPA

- Indonesian bonds market growth and development post 1997 economic crisis, then mutual fund industry crises in 2005.

- Central Bank and MOF Joint Decree, 5 July 2006, Policy Package – Financial Sector 2006:
  “… to strengthen capital market industry, bonds market in particular….through the establishment securities pricing institution that provide fair valuation for all bonds …”

- Presidential Decree No. 6 Year 2007 – Stabilization of Indonesia bond market through the enhancement of price discovery mechanism.
  “… instructing the capital market authority to issue rules regarding the establishment of an institution that performs valuation and price fixing for bonds …”

- In 2007 Bapepam-LK issued rule No. V.C.3. regarding Securities Pricing Agency

- 28 December 2007 : The establishment of IBPA by SROs (IDX, KPEI and KSEI)
- 09 April 2008 : IBPA was legalized as a private legal entity
- 01 July 2008 : IBPA started its operations

IBPA acquired license from the Capital Market & Financial Institution SupervisorAgency (Bapepam-LK) as the first securities pricing agency in Indonesia on August 10th 2009

Objective • Independent • Credible • Transparent
Objective • Independent • Credible • Transparent

Coverage of IBPA Valuated Prices

<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>Number of Series</th>
<th>Outstanding Rp.000.000</th>
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</thead>
<tbody>
<tr>
<td><strong>LCY Gov’t Debt Securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Series 72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Outstanding Amt IDR 665.78 trillion</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LCY Gov’t Islamic Securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Series 14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Outstanding Amt IDR 38.2 trillion</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LCY Corporate Debt Securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Series 237</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Outstanding Amt IDR 126.37 trillion</td>
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<td></td>
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<tr>
<td><strong>LCY Corporate Islamic Securities</strong></td>
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<td></td>
</tr>
<tr>
<td>• Series 31</td>
<td></td>
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<tr>
<td>• Outstanding Amt IDR 5.88 trillion</td>
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<tr>
<td><strong>LCY RMBS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Series 3</td>
<td></td>
<td></td>
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<tr>
<td>• Outstanding Amt IDR 869 Billion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Corporate Bond & Sukuk Rupiah Denominated

- **Surat Utang Negara (SUN)**
  - Surat Perbendaharaan Negara (SPN) 13
  - Obligasi Negara (ON) 59
  - Zero Coupon (FK, VJ, ORI) 1

- **Surat Berharga Syariah Negara (SBSN)**
  - Wholesale 18
  - Sukuk Ritel 3
  - SPN Syariah 2

**LCY Total - Rupiah Demonstrated**

- Total 86
- Outstanding Rp.1,672,281

**Corporate Bond & Sukuk Rupiah Demonstrated**

1. **Corporate Bonds - Investment Grades**
   - Fixed Rate 211
   - Variable Rate 18
   - Subdebt fixed 13
   - Subdebt step-up 7
   - Zero Coupon 1

2. **Corporate Sukuk**
   - Ijarah 26
   - Mudharabah 5

3. **KIK-EBA (RMBS)**
   - Residential Mortgage Backed Securities (RMBS) 3

**Corporate Bond & Sukuk Total - Rupiah Demonstrated**

- Total 271
- Outstanding Rp.312,113,605

Fair market value of securities is the value derived from securities transactions conducted among willing parties, not because of coercion or other than liquidation (Bapepam LK Rule No.IV.C.2).

Determination of fair market value of securities traded over the counter uses fair market prices which issued by the licensed securities agency (proposed rule change - draft of Bapepam-LK Rule No.IV.C.2).

**Usage of IBPA Fair Market Price**

- **Asset valuation**
  - Fair market prices are truly required on the assessment of asset portfolio in a way that accurate & based on the principle of marked-to-market.

- **As reference at bond issuance**
  - Assisting company in the issuance of bonds, especially when determining the cost of fund.

- **As reference at bond tradings**
  - The availability of fair market prices does surely support market participants and the investors when making their investment decisions.

- **As reference at auctions**
  - Assisting parties that involved in the event of auction of government securities.

- **Financial audit purpose**
  - Fair market price is a useful reference for auditors.
  - With the availability of fair market prices in a way that objective and transparent, financial statements among companies can be compared to each others.

- **Portfolio performance measurement**
  - Usage of objective fair market price can avoid manipulation when conducting portfolio assessment.
Bond Pricing Agencies in Asia Pacific

- Korea: Korea Asset Pricing (KAP), KIS Pricing, Nice Pricing
- China: China Central Depository & Clearing (CCDC)
- Malaysia: Bond Pricing Agency Malaysia (BPAM)
- Thailand: the Thai Bond Market Association (ThaiBMA)
- Indonesia: Indonesia Bond Pricing Agency (IBPA)
- Mexico: Valmer

IBPA Value Chain

- Supply Chain Management
  - Primary Mkt
  - Secondary Mkt
  - Pre-trade: Bid/Off & Quotation
  - Post trade: traded price
- Financial Data
  - Securities Info
  - Financial Stmt
  - Rating history
  - etc.
- Market opinion

- IBPA Bond Price & Information Services
  - Data Preparation
  - Valuation Process
  - Market Feedback

- Customer Relationship Management
  - BUY SIDE:
    - Mutual Fund
    - Pension Fund
    - Insurance
  - BUY / SELL:
    - Dealers
  - SELL SIDE:
    - Brokers
    - Non proprietary position
    - General Public
Objective • Independent • Credible • Transparent

IBPA Pricing Process Workflow

Markets and quotations data on the secondary market (Pre-trade & Post-Trade)
Trade Reporting systems
Market Contributors
Primary Dealers
Secondary Market
Central Bank
Debt Management Office (DMO)
Other Data and Market Information:
IDs
Auctions
Quarter's Financial Statements
Interest rates, and related data/performances

Transaction and quotations data on the secondary market (Pre-trade & Post-Trade)
Transaction and quotation data on the secondary market (Pre-trade & Post-Trade)
Trade Reporting systems
Market Contributors
Primary Dealers
Secondary Market
Central Bank
Debt Management Office (DMO)
Other Data and Market Information:
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Secondary Market
Central Bank
Debt Management Office (DMO)
Other Data and Market Information:
IDs
Auctions
Quarter's Financial Statements
Interest rates, and related data/performances

Objective • Independent • Credible • Transparent

IBPA Supply Chain

Market Data Source

DMO (1)
PO Quotes
IDM (3)
Bapepam-LK
Chat, ACG, etc.
E-Monitoring (2)
CTP Quotes (3)
IDX
IDMA
Quotes (4)
IDM (3)
Bapepam-LK
PATO (5)
DMO
BI Settlement (7)

IBPA DBase

Pricing Information
Trading Information
Issue Information
Corporate Information
Analysis Information

Delivery Channels

Web based Information system

Notes:
1) DMO PD’s is Debt Management Office (MoF) Primary Dealer System
2) E-Monitoring is Bapepam-LK’s system for mutual fund corporate bonds quotation and reporting of NAV
3) CTP Quotes is Indonesia Stock Exchange (IDX) OTC centralized trading platform for bonds
4) IDMA is Indonesia Inter-Dealer Market Association, known as Himdasun
5) PLTO is Bapepam-LK’s bond trade reporting system
6) JATS is IDX’s trading system for stocks and FITS is trading system for bonds
7) BI Settlement is central bank settlement system for IGS. The data is owned by DMO

Analysis Information
Paid Information Services

Bond Information & Pricing Services (BIPS)
- Daily and Historical Fair Price & Yield for all bonds & sukuk series
- Gov’t & Corporate Bond Yield Curves
- Corporate Credit Spread
- Bond Indices
- Bond & Issuer Profiles
- Bond Calculator
- Research Reports

Public Information Services (1)

Educational Service

www.ibpa.co.id
Objective  •  Independent  •  Credible  •  Transparent

Public Information Services (2)

IBPA Information in Indonesia Major Business Newspapers

Current Issues & Developments

- IBPA fair market price complies with Indonesia Financial Accounting Reporting Standard from Indonesia Accounting Board (IAI) PSAK-50/55 and IFRS 7
- IBPA Fair Prices are mandatory to be used by PT TASPEN (Government Employee Pensiun Fund Corporation) under MOF regulation (PMK No. 79/PMK.010.2011)
- IBPA Fair Prices are mandatory to be used by Syariah Insurance & Reinsurance Companies under MOF regulation (PMK No. 11/2011)
- IBPA Fair Prices will be mandatory to be used in the Insurance Industry: Final Draft
- IBPA Fair Prices will be mandatory to be used by mutual fund company for daily NAV calculation (Final Draft of Bapepam-LK Rules No.: IV.C.2)
- Bapepam-LK Master Plan 2010-2014, Program 4: Setting Benchmark for Evaluating the Credible Fair Market Price
  ✓ “... Bapepam-LK will optimize the role and function of securities pricing agency in the securities valuation area and broaden usage of the agency products in the financial industry ... ”

Objective  •  Independent  •  Credible  •  Transparent
Frequently Asked Questions about Bond Pricing Agency

**What is Bond Pricing Agency (BPA)?**
BPA is an institution whose main role is to valuate bonds, Sukuk, and other securities to determine their fair market price.

**What is the core function of BPA?**
BPA provides the market with fair market price valuation of bonds, Sukuk, and other securities, objectively, independently, credibly, and responsibly to enable investors valuing their investment.

**What is neutral to the market?**
BPA should not be controlled by any parties to prevent itself from bias valuation. Bapepam-LK rules emphasize limitation in IBPA ownership structure to prevent such intervention.

**What is fair valuation/pricing?**
By the time transaction of bonds or Sukuk are done, fair valuation/price is determined from traded and quotation prices observed during trading session. Fair market value/price reflects the reference price as a guide price in selling bonds.

**Why fair price is needed?**
Bonds instrument covers a significant portion of investment managers' portfolios. Investors need to know the fair market value of their bonds or Sukuk to enable them to make right investment decisions. Problems most likely will arise in the absence such fair prices.

**What is wrong with that?**
In the case of a bond valuated by simple estimation, such bond would be valued far above/below its fair value. With a growing complexity of bond structure, such approach would not be adequate. The absence of consistent study and methodology could be very risky and manipulative.

**How does IBPA solve this problem?**
IBPA will provide daily fair price through consistent study and methodology for all Rupiah denominated bonds and Sukuk as references for all investors' bonds portfolios.

**Why are there no prices available in bonds market?**
The nature of bond market is Over The Counter (OTC), in this case there are no official closing price available. On the contrary, stock market through exchanges or bourses announce stock closing prices on a daily basis.

**How bonds are valued in the past?**
Due to the absence of reliable valuation, bond valuation is far from adequate which consist only of simple estimation, interpolation, and extrapolation data without put into account consistent study and methodology.

**What is Marked to Market ?**
In a simple way, MtM is one way to measure the latest value of investment against the latest market price, or by valuing the investment using the last price done in the market. MtM has been internationally accepted and fulfill the accounting standards and risk management requirements.
**Objective** • Independent • Credible • Transparent

---

### Frequently Asked Questions about Bond Pricing Agency

#### Why we do not follow US approach?
Indonesia bond market has not matured enough as the US bond market. As in the US, investors voluntarily comply to company rules, public protection, and accounting reporting standards.

#### How does IBPA determine fair market price valuation?
IBPA determines fair market price through a series of consistent and transparent methodologies using observed quotation and trading market data, rating information, historical trends, yield curve and financial data. With such methodologies, fair price can be issued on a daily basis for each issuance, even in the case of non traded and illiquid bonds.

#### What methodology IBPA use?
IBPA methodologies are based on best practice valuation technique and consistent bond valuation methods that has been applied in developed market. All methodologies are approved by Bapepam-LK and manipulation free. Bapepam-LK also requires IBPA to put a standards on internal control, data protection and feedback mechanism to enable market players to submit inputs for the aforementioned methodologies.

#### Will IBPA interfere trading?
Generally speaking, when fair price for bonds instrument exists even for illiquid and non traded bonds, all market players will have price reference as base for their bonds trading. IBPA plays its role as the catalyst to boost up bonds transaction activity.

#### Who should use IBPA services?
Every party who invests in Rupiah denominated bonds and Sukuk instruments and needs valuation for their investment independently, consistently, and variably. In a broad perspective, participants will benefit from high spectrum of relevant IBPA services.

#### Is there any other benefit offered by IBPA?
Due to its service coverage, IBPA is required to maintain a comprehensive database related to bonds market. IBPA database covers up to date and historical data such as: trading data, bond profiles, issuers’ profiles, etc. This comprehensive database can be utilized by client as value added benefit. Availability and easy access of IBPA database will stimulate more active trading which result to a better pricing, and promote better risk management and optimal capital allocation.
The Bond Pricing Agency: Enhancing the Bond Information Supply Chain

ASEAN+3 Bond Market Forum
12 September 2011

Agenda

1. Malaysian Market Overview
2. 2004-2011: Supply Chain in Malaysia and the BPA Malaysia Experience
3. Information Supply Challenges
4. The Way Ahead
Malaysian Market Overview: Outstanding

- Outstanding amount by the end of 1H2011 was MYR 833.7 billion (USD 280 bil)

### Breakdown by Bond Class

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<thead>
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<th>Class</th>
<th>GOV</th>
<th>BNM</th>
<th>PDS</th>
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<td>AAA</td>
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<td>BBB~</td>
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</table>

### Outstanding Amount by Principal and Class (RM Bil)

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<tr>
<th>Bond Class</th>
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<th>BNM</th>
<th>PDS</th>
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<tr>
<td>Conv</td>
<td>277</td>
<td>103</td>
<td>93</td>
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<tr>
<td>Islm</td>
<td>412</td>
<td>23</td>
<td>142</td>
</tr>
</tbody>
</table>

### Outstanding Amount for Selected PDS (RM Bil)

- Mostly AAA

Source: BPA Malaysia
Malaysian Market Overview: Issuance

- Total issuance from period July 2010 to June 2011 was MYR 493.3 Billion (USD 165 bil)

Top PDS Issuer – Conventional (RM Mil)
- CIMB Group Holdings Berhad: 800
- Hong Leong Bank Berhad: 1000
- Sabah Development Bank Berhad: 1091
- Tangon Capital Sdn Berhad: 1346
- Promic Berhad: 1400

Top PDS Issuer – Islamic (RM Mil)
- Maybank Islamic Berhad: 1000
- Aman Sukuk Berhad: 1100
- GovCo Holdings Berhad: 3000
- Sarawak Energy Berhad: 3000
- Pengurusan Air SPV Berhad: 4900

Malaysian Market Overview: Trading

- Total trades done during period July 2010-June 2011 was MYR 1,376 Billion (USD 461 bil)

1. Most trades were done for the Sovereigns
2. Trades by Quarter (RM Bil)
   - Q3 2010: 212 (BNM 75%, PDS 4%, GOV 47%)
   - Q4 2010: 220 (BNM 67%, PDS 6%, GOV 43%)
   - Q1 2011: 284 (BNM 79%, PDS 6%, GOV 42%)
   - Q2 2011: 283 (BNM 157%, PDS 6%, GOV 42%)

3. Monthly PDS trades (RM Bil)
   - Jul-10: 2.8 (PDS Conv 2.1), 3.4 (PDS Sukuk 1.7)
   - Aug-10: 4.1 (PDS Conv 2.7), 4.4 (PDS Sukuk 1.4)
   - Sep-10: 5.2 (PDS Conv 2.2), 4.9 (PDS Sukuk 1.3)
   - Oct-10: 5.2 (PDS Conv 1.7), 4.9 (PDS Sukuk 1.5)
   - Nov-10: 4.1 (PDS Conv 2.7), 4.4 (PDS Sukuk 1.4)
   - Dec-10: 3.8 (PDS Conv 1.9), 3.4 (PDS Sukuk 1.1)
   - Jan-11: 5.1 (PDS Conv 2.3), 5.5 (PDS Sukuk 1.9)
   - Feb-11: 2.1 (PDS Conv 1.2), 2.3 (PDS Sukuk 1.2)
   - Mar-11: 3.5 (PDS Conv 1.5), 3.4 (PDS Sukuk 1.1)
   - Apr-11: 4.5 (PDS Conv 2.3), 3.4 (PDS Sukuk 1.2)
   - May-11: 8.5 (PDS Conv 4.5), 3.1 (PDS Sukuk 1.2)
   - Jun-11: 5.1 (PDS Conv 2.5), 3.4 (PDS Sukuk 1.2)
Malaysian Market Overview: Performance

BPAM FiiX Index Series Simple Average Returns (As of 30-June-2011)

<table>
<thead>
<tr>
<th>Period</th>
<th>All Bond</th>
<th>Conventional</th>
<th>Islamic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Month</td>
<td>0.62%</td>
<td>0.62%</td>
<td>0.61%</td>
</tr>
<tr>
<td>3 Months</td>
<td>1.32%</td>
<td>1.39%</td>
<td>1.21%</td>
</tr>
<tr>
<td>6 Months</td>
<td>1.96%</td>
<td>1.88%</td>
<td>2.05%</td>
</tr>
<tr>
<td>12 Months</td>
<td>4.50%</td>
<td>4.05%</td>
<td>5.19%</td>
</tr>
</tbody>
</table>

July 2008: Government imposed windfall tax for IPP

Three consecutive OPR cuts from 3.25% (Dec 2008) to 2.0% (Mar 2009)

Steady recovery in 2010. Three consecutive OPR hikes from 2.0% to 2.75% (June 2010)

Malaysian Market Overview: Foreign Holdings

Increased demand for world class but local specific information and valuation infrastructure

RM billion

Debt Securities Foreign Holdings

MYR/USD

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Malaysian Market Overview: Infrastructure

Comprehensive underlying market infrastructure

Pre Issue & Maintenance

**Issuers**
- Trustees
- Advisors
- Rating Agencies
- Guarantor

**Primary Market**
- FAST (Fully Automated System for Tendering) @ BNM
  - Underwriter/Facility Agent
  - Lead Arranger
  - Co-Arranger

- RENTAS (Payment & Depository) @ BNM
  - Central Depository
  - Authorized Depository (Own Acc., Client)
  - Paying Agent

- ETP (Electronic Trading Platform) @ Bursa Malaysia
  - Instrument Info., Prices, Historical Data

**Secondary Market**
- Investors
  - Wholesale Secondary Market
  - Money Brokers
  - PD, Non PD

Primary Market vs. Secondary Market

Agenda

1. Malaysian Market Overview
2. 2005-2011: Supply Chain in Malaysia and the BPA Malaysia Experience
3. Information Supply Challenges
4. The Way Ahead
BPA Regulations : Malaysia

➢ The First BPA to be established in the ASEAN region

Methodology and Process
• Audited

System
• Adequate security and backup

Shareholders
• No controlling party

Professional indemnity insurance
• RM 10 million

Pricing performance
• 3 months market acceptance test

Expertise
• Fit and proper persons

Minimum paid up capital
• RM 10 million

BPA Malaysia has met and exceeded the requirements of forming a Bond Pricing Agency and was appointed on 18th April 2006.

Supply Chain : Realities 2005-2011

Key attributes of data demanded by market participants in developing markets:

1. Digitised / One Source
2. Cost - Outsourcing
3. Accuracy
4. Reliability and Timeliness
5. Regulator / Official “QC”
Supply Chain Gen 1: Regulator Sourced

- **Terms and Conditions**
- **Rating Data**
- **Financial Data**
- **Post Trade Data**
- **Pre trade Data**
- **Yield Curves**
- **New Issuances**

- **SOURCES**
  - Usually regulator initiative, no commercial incentive
  - E.g.: BNM FAST, Bursa ETP
  - Duplication of SCM in users

1. 2. 3. 4. **USERS**

Supply Chain Gen 2: Free Market Information Vendors

- **Terms and Conditions**
- **Rating Data**
- **Financial Data**
- **Post Trade Data**
- **Pre trade Data**
- **New Issuances**

- **SOURCES**
  - Global coverage with limited economic incentive for smaller local markets
  - No regulatory oversight

A. B. C. **USERS**
Supply Chain Gen 3: The Regulated BPA

Terms and Conditions  Rating Data  Financial Data  Post Trade Data

Pre trade Data  Yield Curves  New Issuances

BPA

Sources

Market Specific Data with Regulatory Oversight

Users

Comparatives

<table>
<thead>
<tr>
<th></th>
<th>BPA</th>
<th>Information Vendor</th>
<th>Regulator Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>A regulated entity providing country specific valuations</td>
<td>An unregulated entity providing global data and news</td>
<td>Systems or infrastructure developed and managed by regulators</td>
</tr>
<tr>
<td>Main Business</td>
<td>Bond Pricing and Data</td>
<td>Sale of terminals, news and data feeds</td>
<td>Generally no profit motive</td>
</tr>
<tr>
<td>Importance of supply chain quality</td>
<td>Fundamental</td>
<td>“Best effort basis”</td>
<td>“Best effort basis”</td>
</tr>
<tr>
<td>Feedback quality</td>
<td>Specific Expertise</td>
<td>Non specific expertise</td>
<td>Resource restrictions</td>
</tr>
<tr>
<td>Timeliness</td>
<td>Contractual End of Day</td>
<td>As and when available</td>
<td>As and when available</td>
</tr>
<tr>
<td>Performance Metric</td>
<td>Quality of pricing, knowledge of local market</td>
<td>Widest possible scope of data</td>
<td>National agendas / Masterplans</td>
</tr>
<tr>
<td>Regulatory controls</td>
<td>Pricing Performance Tests, Feedback Process, Regulatory Compliance</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Examples</td>
<td>BPAM, IBPA</td>
<td>Bloomberg, Reuters</td>
<td>BNM FAST, ETP</td>
</tr>
</tbody>
</table>
Agenda

1. Malaysian Market Overview
2. 2004-2011: Supply Chain in Malaysia and the BPA Malaysia Experience
3. Malaysia: Information Supply Challenges and Solutions
4. The Way Ahead

BPA Supply Chain

- Market interaction
- Financial Mathematics
- Rating updates
- Accurate trade data via ETP
- Live dealing quotes
- Client feedback process
- Benchmark curves
- New issues
- Accurate terms & conditions
- YTM matrix/curve pricing
- Credit risk analysis
- Relative pricing
Supply Chain Management Challenges and Resolution

Security Master Level
- Term sheet and market conventions inconsistent
- Poor disclosure of ABS pool information
- Access to term sheets, trust deeds and other relevant documents
- Non digitised data
- Multiple formats

Trading Information Level
- Market Churns / Pass through / Position
- Parking trades
- Private Placements
- Initial Issue Yield (for bought deals)
- Manipulation and errors in trade data feed
- Managing relationships with Interdealer brokers

FORMATTING, DIGITISING, CLEANING & ACCURIZING

Internal Processes (Data cleansing)
- Internal Processes
- (Data cleansing)

External Processes (verification with market players and regulators)
- External Processes
- (verification with market players and regulators)

Supply Chain Management in Practice

Background Study
- Set Up Database

Daily Process
- Clean and Populate Data
- Build Yield Curves
- Price All Bonds

Official Sources
- Term Sheet
- FAST
- Bursa ETP
- Ratings

Market Network
- Term Sheet
- Validation
- Pricing
- Convention
- Broker
- Quotes
- Repo
- Yields

BPA Malaysia Internal Process
- Term Sheet
- Enhancement
- Model
- Selection
- Trade
- Data
- Enhancement

Data Population
Example: Trade Data Feed

- Comprehensive SCM process needed
  - To collect accurate post and pre trading data.
  - To enhance and update securities information on-going basis.

The BPA Supplying Market Participants

- Fair Valuation
- Bond Pricing Service
- Short Term Instrument Pricing Service (STIPS)
- Foreign Bond Valuation
- Bond Information Service
- Web and Client Server
- Reference Pricing Service
- Post Issuance Preliminary Study (PIPS)
- Bond Tracker
- Bond Index
- FiiX Ringgit Index
- FiiX Liquid Index
- Custom Data
- League Tables

- Investors
- Issuers
- Dealers
- Brokers
- Fund Managers
- Risk Managers
- Back Office
- Analysts
- Regulators
- Actuaries
- Media
- Auditors
- General Public
Supply Chain Gen 3: The BPA

The BPA as a catalyst towards a high quality bond information supply chain

Terms and Conditions      Rating Data      New Issuances      Financial Data      Post Trade Data

Pre trade Data      Yield Curves

BPA

SELL SIDE

BUY SIDE

REGULATORS

ISSUERS

ACADEMIA

DATA AND VALUATIONS FOR FINANCIAL REPORTING, DECISION MAKING AND RISK MANAGEMENT

VALUATION DATA FOR MARKET SURVEILLANCE

PRICE DISCOVERY FOR NEW ISSUERS

SUPPORT ACADEMIC RESEARCH

LOCAL SPECIFIC WORLD CLASS DATA

Agenda

1. Malaysian Market Overview
2. 2004-2011: Supply Chain in Malaysia and the BPA Malaysia Experience
3. Information Supply Challenges
4. The Way Ahead
ASEAN+3 Networking

- Already 3 well developed professional data and valuation sources in the region

  **Indonesia**
  - Indonesia Bond Pricing Agency (IBPA)

  **Malaysia**
  - Bond Pricing Agency Malaysia Sdn Bhd (BPA Malaysia)

  **Thailand**
  - Thai BMA

A SOLID STARTING POINT FOR REGIONAL GROWTH SHARING AND DISSEMINATION OF BOND MARKET DATA ON A PROFESSIONAL BASIS

ASEAN+3 Networking

- First Stage: Free Sharing of basic market information

  - YIELD CURVES
  - TRADING ACTIVITY
  - NEW ISSUES
  - RATING ACTIONS
ASEAN+3 Networking

- Second Stage: Distribution agreements for fair valuation and other premium data
- Third Stage: Joint Advisory and Consultancy services

- Profit sharing or introducer fee basis
- Practical experience of building bond market information infra for a developing market
THANK YOU

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Mid Valley City,
Lingkaran Syed Putra,
55200 Kuala Lumpur,
Malaysia
Tel: +603 2772 0889
Fax: +603 2772 0808
Email: enquiries@bpam.com.my
Thoughts on the Bond Price Dissemination System
- Discussion in Japan -

September 12, 2011

Ryuichi Shiina, CFA
General Manager
International Affairs Division
Japan Securities Dealers Association

Contents
I. Japan’s Current Bond Price Dissemination System
II. Case Studies: Overseas
III. Conclusions
1. Japan’s Current Bond Price Dissemination System

1. History of Japan’s Bond Price Dissemination System

1965 The Bond Underwriters Association of Japan instituted a dissemination system for “OTC Quotes for Industrial Debenture.”

1966 Tokyo Stock Exchange reopened public and corporate bonds transactions. Tokyo Securities Dealers Association (predecessor of JSDA) began publishing “OTC Quotes for Public and Corporate Bonds”.

1973 JSDA took over the operation of “OTC Quotes for Public and Corporate Bonds”.

1998 Abolition of market concentration rule by the amendment of Securities and Exchange Law. TSE ceased to publish the closing price of JGBs.

2002 JSDA renovated its “OTC Quotes for Public and Corporate Bonds” system and started the current “Reference Prices (yields)”.

2010 Introduction of Market-Value Accounting.

2010 Discussion underway for the improvement of the current bond price system for the purpose of invigorating the inactive corporate bond market.
2. Size of Japan’s Bond market (1)

![Chart showing issuance of bonds by different categories over different fiscal years (FY1990 to FY2010).]

2. Size of Japan’s Bond market (2)

![Chart showing outstanding bonds by different categories over different fiscal years (FY1990 to FY2010).]
4. Size of Japan’s Bond Market (3)

Trading Volume of Bonds

<table>
<thead>
<tr>
<th>Year</th>
<th>JGB</th>
<th>JGB(T-Bill,TB,FB)</th>
<th>Other Public</th>
<th>Corporate</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1,961</td>
<td>1,195</td>
<td>28</td>
<td>98</td>
<td>3</td>
</tr>
<tr>
<td>1995</td>
<td>1,389</td>
<td>2,583</td>
<td>80</td>
<td>92</td>
<td>5</td>
</tr>
<tr>
<td>2000</td>
<td>3,122</td>
<td>1,779</td>
<td>197</td>
<td>112</td>
<td>13</td>
</tr>
<tr>
<td>2005</td>
<td>7,555</td>
<td>1,863</td>
<td>154</td>
<td>112</td>
<td>13</td>
</tr>
<tr>
<td>2006</td>
<td>9,695</td>
<td>2,628</td>
<td>134</td>
<td>79</td>
<td>9</td>
</tr>
<tr>
<td>2007</td>
<td>7,566</td>
<td>2,795</td>
<td>76</td>
<td>70</td>
<td>8</td>
</tr>
<tr>
<td>2008</td>
<td>4,756</td>
<td>3,057</td>
<td>48</td>
<td>67</td>
<td>8</td>
</tr>
<tr>
<td>2009</td>
<td>5,126</td>
<td>2,495</td>
<td>49</td>
<td>40</td>
<td>5</td>
</tr>
<tr>
<td>2010</td>
<td>5,126</td>
<td>2,495</td>
<td>49</td>
<td>40</td>
<td>5</td>
</tr>
</tbody>
</table>

5. Reference Statistical Prices [Yield] for OTC Bond Transaction

Outline of the JSDA OTC Bond Trading Reference Prices

- The Japan Securities Dealers Association (JSDA) publishes “OTC Bond Trading Reference Prices” calculated from quotation prices reported by securities companies that are Designated Reporting Members (DRMs). The JSDA now has 21 DRMs in total. The DRMs are chosen from JSDA member firms that are knowledgeable about OTC bond transactions and appropriately organized and staffed for the price reporting.
- The DRMs daily report the quotation prices by 4:30 pm to the JSDA for particular issues. Quotation prices reported in this system are the mid-prices of the DRMs’ bid and ask quotations. The reported prices are not real transaction prices but ones theoretically calculated assuming JPY 500 million transactions of each issue at 3 pm on that day.
- Since the reported quotation prices might include errors or outliers, JSDA checks the prices and eliminates several of the highest and lowest reported prices from aggregation according to certain criteria. After checking and aggregating the prices, JSDA publishes on its website the four different prices of the average, median, highest and lowest of each issue, in the form of simple yield, compound yield, and unit price.
- Such reference prices of nearly 7,000 issues of bonds are disseminated by the JSDA every day. When the number of DRMs reporting the prices of the particular issue is less than five, the reference price for the issue is not published on that day.
### Reference Statistical Prices [Yields] for OTC Bond Transactions

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Code</th>
<th>Average</th>
<th>Median</th>
<th>High</th>
<th>Low</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021-05-24</td>
<td>2015</td>
<td>0.960</td>
<td>100.55</td>
<td>+14</td>
<td>0.868</td>
<td>0.866</td>
</tr>
<tr>
<td>2013-10-26</td>
<td>2017</td>
<td>0.680</td>
<td>100.35</td>
<td>+6</td>
<td>0.595</td>
<td>0.593</td>
</tr>
<tr>
<td>2016-02-05</td>
<td>2016</td>
<td>1.240</td>
<td>101.39</td>
<td>+7</td>
<td>0.921</td>
<td>0.916</td>
</tr>
<tr>
<td>2013-02-28</td>
<td>2013</td>
<td>1.580</td>
<td>101.53</td>
<td>0</td>
<td>0.575</td>
<td>0.566</td>
</tr>
<tr>
<td>2012-12-13</td>
<td>2012</td>
<td>1.390</td>
<td>101.10</td>
<td>0</td>
<td>0.552</td>
<td>0.546</td>
</tr>
<tr>
<td>2011-12-01</td>
<td>2011</td>
<td>1.560</td>
<td>100.34</td>
<td>0</td>
<td>0.376</td>
<td>0.374</td>
</tr>
<tr>
<td>2013-10-18</td>
<td>2013</td>
<td>1.280</td>
<td>100.81</td>
<td>+1</td>
<td>0.901</td>
<td>0.897</td>
</tr>
<tr>
<td>2013-06-20</td>
<td>2013</td>
<td>2.230</td>
<td>102.57</td>
<td>0</td>
<td>0.818</td>
<td>0.808</td>
</tr>
<tr>
<td>2011-12-01</td>
<td>2011</td>
<td>1.560</td>
<td>100.34</td>
<td>0</td>
<td>0.376</td>
<td>0.374</td>
</tr>
<tr>
<td>2017-02-02</td>
<td>2017</td>
<td>1.040</td>
<td>101.75</td>
<td>+11</td>
<td>0.712</td>
<td>0.707</td>
</tr>
<tr>
<td>2013-06-03</td>
<td>2013</td>
<td>1.070</td>
<td>101.15</td>
<td>0</td>
<td>0.425</td>
<td>0.419</td>
</tr>
<tr>
<td>2011-10-27</td>
<td>2011</td>
<td>1.340</td>
<td>100.20</td>
<td>0</td>
<td>0.296</td>
<td>0.264</td>
</tr>
<tr>
<td>2015-06-23</td>
<td>2015</td>
<td>1.490</td>
<td>102.58</td>
<td>+5</td>
<td>0.807</td>
<td>0.797</td>
</tr>
</tbody>
</table>

**Notes:**
- The following is the calculation method and form of presentation for Reference Statistical Prices [Yields] for OTC Bond Transactions, which are prices and yields that serve as reference for over-the-counter bond transactions. Please note that there is no guarantee that the listed bonds can be sold or purchased at these prices.
- Reference Statistical Prices [Yields] for OTC Bond Transactions consist of the "average," "median," "highest," and "lowest" values of the quotation reported by Designated-Reporting Members after excluding a certain proportion of the highest and lowest prices.
- The average value is the arithmetic average price. The median value is the middle value in arranging all the quotations from the lowest to highest values or vice versa. If there is an even number of quotations, the median value is the average of the two middle values. The highest and lowest values are the upper and lower end prices.
- Designated-Reporting Members report to the JSDA quotations (mid-price quotations for buys and sells) serving as reference for trades involving an amount of around ¥500 million in face value as of 3:00 p.m. on the previous business day of the publication day.
- In calculating the average, median, highest, and lowest of the Reference Statistical Prices [Yields] (rounded to the nearest basis point)

---

**Outline of “Reference Prices [Yields] Table for OTC Bond Transactions”**

- JSDA publishes about 6,000 publicly offered issues of the Reference Prices [Yields] for OTC Bond Transactions at around 5:30 p.m. on every business day.
- The major participants in securities firms, stock exchanges, clearing organizations, institutional investors, asset managers, government-related organizations, business corporations, information service providers and individuals.
- The Reference Prices [Yields] are used to refer to reference for trading, current market valuations for financial accounting and economic tax payments, the valuation of derivative instruments in investor's return and foreign financial instruments, appraisals of security prices, collateral valuation for stock exchanges and clearing organizations, valuation for detailed calculations of ISDA government bond quotations of ISDA, and the valuation of reference projects.

- Not actually traded data (Average of theoretical quotes by DRMs)
- Not real time basis dissemination
- Wide coverage of eligible bonds (Approx. 7,000 public and corporate bonds)
- The use of data is not limited to price reference for trading bonds but serves as wide variety of public services including mark-to-market valuation for financial reporting and tax accounting purposes and fair value appraisal as a pledge, for the calculation of base price of investment trusts, and as a reference price and indicator at the time of determining the issuance conditions for corporate bonds.

(In this regard, Japan has no business model like the “Bond Valuation Agency” of Korea or institutions in some ASEAN countries (Malaysia, Thailand and Indonesia) that specializes in the bond valuation for public purposes.)

7. Other Bond Prices Dissemination Services by JSDA (1)

<table>
<thead>
<tr>
<th>Rating</th>
<th>Firm</th>
<th>Symbol</th>
<th>Years to Maturity</th>
<th>Number of Issues</th>
<th>Number of Data</th>
<th>Compound Yield</th>
<th>Deviation</th>
<th>Standard Number of Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>AAA</td>
<td>AAA</td>
<td>10</td>
<td>20</td>
<td>10</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>B</td>
<td>BBB</td>
<td>BBB</td>
<td>15</td>
<td>30</td>
<td>30</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>C</td>
<td>CCC</td>
<td>CCC</td>
<td>20</td>
<td>50</td>
<td>50</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>D</td>
<td>DDD</td>
<td>DDD</td>
<td>30</td>
<td>10</td>
<td>10</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>E</td>
<td>EEE</td>
<td>EEE</td>
<td>50</td>
<td>20</td>
<td>20</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>F</td>
<td>FFF</td>
<td>FFF</td>
<td>100</td>
<td>50</td>
<td>50</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>G</td>
<td>GGG</td>
<td>GGG</td>
<td>200</td>
<td>10</td>
<td>10</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>H</td>
<td>HHH</td>
<td>HHH</td>
<td>500</td>
<td>20</td>
<td>20</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>I</td>
<td>III</td>
<td>III</td>
<td>1000</td>
<td>50</td>
<td>50</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>J</td>
<td>JJJ</td>
<td>JJJ</td>
<td>2000</td>
<td>10</td>
<td>10</td>
<td>0.608</td>
<td>0.045</td>
<td>1.054</td>
</tr>
<tr>
<td>K</td>
<td>KKK</td>
<td>KKK</td>
<td>5000</td>
<td>20</td>
<td>20</td>
<td>0.608</td>
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</table>

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8. Other Bond Prices Dissemination Services by JSDA (2)

Retail-Target Corporate and Samurai Bonds in the OTC Market

Pricing Table

<table>
<thead>
<tr>
<th>Issues</th>
<th>Code</th>
<th>Due Date</th>
<th>Coupon Rate (%)</th>
<th>Price (Yen)</th>
<th>No. of Reporting Members</th>
<th>Simple Yield (%)</th>
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<td>東芝</td>
<td>48 000466002</td>
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<td>101.60</td>
<td>101.59</td>
<td>101.25</td>
</tr>
</tbody>
</table>

Extract as of Aug. 18, 2011

DRMs: 10 securities companies, covering 56 issues, published since 2003

9. Bond Price Dissemination Services by Private Sector

Japan Standard Bond Price (JS Price)

Provider: Nikkei Digital Media, Financial Engineering Research Institute, Nomura Securities and Nomura Research Institute

Characteristic: Bond prices are evaluated and calculated by Nomura Securities on the basis of determination of spread on the JGB yield or swap rate and later examined by Nikkei, FERI, and NRI. Among others, JS Prices accurately reflect the market, including actual OTC transactions at Nomura Securities, investment patterns of market participants, and market trends among others. JS Prices are reliable for a variety of purposes, including mark-to-market accounting, which requires precise evaluation of bond prices.

Dissemination Timing: During 18:30-19:00 every business day

Coverages: Government Bonds (including TBS, PMs, discount government bonds and floating rate bonds), Government guaranteed bonds, Publicly-offered municipal bonds, Privately-placed municipal bonds, Government agency bonds, P&F agency bonds, Discount bank debentures, Interest bearing bank debentures, Domestic corporate bonds (public issues excluding CMs and WNs), Yen-denominated foreign bonds (public issues), Euroyen bonds (selected issues only). About 12,000 issues

History: January 2002 to present

BLOOMBERG YEN BOND FIXING PRICE (BBYE)


Characteristic: Simple average of reported price by 4 securities firms.

Dissemination Timing: After 17:15 every business day

Coverages: About 12,000 issues

History: February 2003 to present
The Reference Statistical Prices [Yields] for OTC Bond Transactions (hereinafter referred to as the “Reference prices”) are widely used by investors and market participants for multiple purposes.

However, as the Reference price sometimes diverges from the actual price (such as the execution price and the bid offer) and has a time lag. This is considered to constitute one of possible underlying factors for the inactive Japanese corporate bond market.

Accordingly, the “Study Group” is trying to consider the following based on the system in foreign countries such as the United States, EU and to improve the transparency of corporate bond price information and build credibility for the information:

(i) Dissemination of transaction price
a. For the time being, JSDA publishes the transaction price once a day after the trading hour finishes for issues with high liquidity. As the next stage, we will expand the frequency, timeliness, and coverage based on the transaction volume and other factors;
b. We will maintain the anonymity of investors (people who made transactions);
c. We will reduce the cost of securities companies and users by using an existing system such as the one operated by the Japan Securities Depository Center, Inc. (JASDEC).

(ii) Improvement of credibility of the Reference price
To improve the credibility of the Reference price, we will immediately consider the following ideas and implement them.

a. Review of the Designated Reporting Member (hereinafter referred to “DRM) system
   • Publicize the name of the DRMs;
   • The DRMs shall be Association members who are capable of executing the transaction;
   • Others
b. Putting off the reporting deadline
   • Consider putting off the reporting deadline and the dissemination timing for the purpose of ensuring the credibility of calculation of the Reference price by the DRMs in cooperation with the market participants and users.

c. Others

Thus, in Japan, the debate for further transparency is conducted from the viewpoint of invigorating the inactive corporate bond market. In this sense, the situation is different from the US where the TRACE was introduced primarily for the protection of retail investors, and from Korea where B-TRIS was introduced in the context of the structural changes under IMF regime after the Asian currency crisis in the late 1990s. In Japan, there is no debate on the necessity for further transparency of JGBs market which is already sufficiently transparent and liquid. There are also no serious investor protection issues as far as the plain vanilla (straight) bond market is concerned.
II. Case Studies: Overseas

Case Study 1: US – TRACE –
Case Study 2: EU – MiFID II –
Case Study 3: Korea – B-TRiS –

Case Study 1: US – TRACE – (1)

Video Conference on April 14, 2011

[Guest Speaker]

Mizuho Securities USA, Inc. (representing market participants)
  • Mr. A: Managing Director, Head of Fixed Income Syndicate

FINRA (Financial Industry Regulatory Authority) (representing SROs)
  • Mr. B: Executive Vice President, Transparency Services
  • Mr. C: Director, Trace, Transparency Services
  • Mr. D: Associate Director, Fixed Income, Fixed Income Transparency Services
Case Study 1: US – TRACE – (2)

Prior Questionnaire (Issues of Interest)(1)

1. When TRACE was introduced in the United States in July 2002, what issues were argued between the SEC/FINRA and securities industry?

   What did institutional investors, who were securities firms’ counter-parties of corporate bond trading, think of the proposed scheme to publicize corporate bond trading information (brands, sales or purchases, trading price, trading volume, etc.)?

   What were the views of corporate bond issuers?

   Was there any concern over introducing TRACE?

   We have a concern that, particularly in trades of illiquid bonds or large amount transactions, such a real-time bond price disclosure may reduce the spread between bid and asked prices, lower risk tolerance of dealers, impair their market-making functions, and result in decrease of market liquidity. Was there such a concern in the United States?

Case Study 1: US – TRACE – (3)

Prior Questionnaire (Issues of Interest)(2)

2. After introducing TRACE, were any changes observed in institutional investors’ corporate bond trading with respect to frequency of trade, trading volume per transaction, pricing methods, etc.? Was there any impact on retail bond transactions (transactions less than US$100,000)? In corporate bond trading, dealers are supposed to offer different prices to institutional investors making big transactions and to retail investors engaging in small mount transactions. If that is the case, how does TRACE provide investors with price information?

3. TRACE does not provide real-time price information for bonds that are not being traded. In order for investors to evaluate such bonds that they own, do they rely on the past (latest available) price of the bond, or, use indicative or theoretical prices published by information vendors?

4. Almost ten years have passed since TRACE was launched. What effects has TRACE had on the transparency and liquidity in corporate bond market? Do you think that TRACE has contributed to enhancing the integrity of corporate bond market?
Case Study 1: US – TRACE – (4)

Prior Questionnaire (Issues of Interest)(3)

5. The United States has the best-developed secondary market of high-yield bonds. Has the increase of trading price transparency through TRACE contributed to this? Or, should the diversity of market participants, which is evidenced by existing various and numerous investors and issuers, be considered as its most important factor?

6. What effects has TRACE had on investment in US corporate bonds by foreign investors and bond issuance by foreign firms in the US market?

7. Corporate bond market in Japan is smaller in scale compared to the US market. Is such a system like TRACE considered to be workable and useful in the Japanese market? What are the prerequisites and functions necessary to introduce such a solution in the primary market and the secondary market respectively?

Case Study 1: US – TRACE – (5)

Prior Questionnaire (Issues of Interest)(4)

8. Any advice or suggestions for Japan, EU and other foreign market players to increase transparency and liquidity of corporate bond market?

9. (Question to FINRA) While TRACE functions as market infrastructure to increase post-trade transparency, has any scheme to ensure pre-trade transparency (like MiFID’s scheme in Europe) been discussed in the United States? Furthermore, has there been any discussion, or, any action taken regarding the price transparency of securitized products?
Case Study 1: US – TRACE – (6)

Inception of TRACE

・ US corporate bond market lacked transparency before inception of TRACE (Trade Reporting and Compliance Engine).
・ The US SEC encouraged greater transparency.
・ The dealer community was against its inception due to the possible negative effect of transparency to the market liquidity.
・ FINRA sponsored an industry committee to deliberate on the inception of TRACE.
・ After more than 5 years of negotiations with securities industry, TRACE was launched on July 1, 2002

Phased Implementation

・ Reporting time-limit: initially within 75 min. gradually reduced to the current 15 min.
・ Dissemination started with most liquid, highest grade securities, and was gradually expanded to all publicly traded eligible securities except TB.

Case Study 1: US – TRACE – (7)

Participants

・ All US broker dealers trading in eligible securities that are FINRA's members (currently over 2,000 registered participants). Charged fees for reporting.

Eligible Securities

・ US$ denominated corporate straight bonds and CBs, including 114A securities (non-public) (extended to the primary market transaction in March 2010) : currently 30,000 issues
・ US Agency bonds (since March 2010): currently 15,000 issues
In total, over 45,000 CUSIP securities are eligible.

Transaction Volume

・ Over 43,000 average daily trades for corporate bonds and over 5,500 average daily trades for agency bonds
・ Average daily traded amount: over US$27 billion for corporate bonds (public & non-public bonds) and approximately US$11 billion for agency bonds
Case Study 1: US – TRACE – (8)

Price Dissemination of TRACE

- Real-time basis price publication
  - Traded price, yield and size (upper limit of US$5 million for corporate investment grade and US Agency, US$1 million for High-Yield: measure to avoid damaging the liquidity of large-sized transaction because of transparency)
  - Reporting is required within 15 min. of execution. Actually, over 90% of trades are reported in less than 5 min. Trade information is disseminated as soon as it is received.
- Data is disseminated directly or through market data vendors to the market participants (Approx. 50 vendors and 50,000 professional users)
- FINRA also disseminated daily market indicators and aggregated data information together with the individual bond price information through the following media; FINRA-Bloomberg Active US Corporate Bond Indices, Daily Market Aggregate Statistics and TRACE Fact Book.

Case Study 1: US – TRACE – (9)

Top 30 Publicly Traded Investment-Grade Issues by Number of Trades Executed in Q2 2011 (excluding convertible bonds, equity CUSIPS and 144As)

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<thead>
<tr>
<th>Rank</th>
<th>SYMBOL</th>
<th>ISIN</th>
<th>ISSUER NAME</th>
<th>COUPON</th>
<th>MATURITY</th>
<th>RATING</th>
<th>TRADES</th>
<th>DEALERS REPORTING</th>
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<td>1</td>
<td>NOK.GA</td>
<td>JGB1</td>
<td>NOKIA OYJ</td>
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<td>2019/5/15</td>
<td>BBB</td>
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<td>2</td>
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<td>JGB1</td>
<td>MORGAN STANLEY</td>
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<td>3</td>
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<td>25</td>
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<td>AT&amp;T INC</td>
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<td>A</td>
<td>2,904</td>
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</tbody>
</table>

(Source) Financial Industry Regulatory Authority, Inc. (“FINRA”) TRACE Fact Book 2011 Q2
Impact of TRACE to the Market

- Market Efficiencies

Positive assessment: mainly regulator’s view

“Transparency has reduced trade execution costs – 50% reduction for TRACE-eligible bonds and a 20% reduction for bonds not eligible for TRACE (likely reflecting better pricing information from benchmark bonds).”

(Optimal Market Transparency: Evidence from the Initiation of Trade Reporting in Corporate Bonds by Hendrik Bessembinder, William Maxwell, Kumar Venkataraman; January 6, 2005.)

“Transparency has contributed to a reduction in spreads and has not negatively impacted liquidity.”

(Transparency and Liquidity: A Controlled Experiment on Corporate Bonds by Michael A. Goldstein, Edith S. Hotchkiss, Erik R. Sirri; March 20, 2006.)

“Transparency has contributed to improved valuation precision, as measured by the dispersion in valuation for the same security held by multiple funds.”

(Missing the Marks: dispersion in corporate bond valuations across mutual funds by Gjergji Cici, Scott Gibson, John Merrick; second draft May 2008 (first draft November 2007)).

- Market Size

Positive assessment: mainly regulator’s view

By introducing TRACE, the market activity and its breadth became far better than expected: average daily par value (including public and 144A) is US$26.6 billion (investment grade: US$15.6 billion, high yield: US$9 billion respectively excluding CB) as of March 2011.

Dealer concentration is avoided and the number of dealer participation increases enormously: 1,318 reporting firms for corporate bond secondary market as of March 2011.

The number of transactions by retail investors (dealing with the amount less than US$100,000): reached about 64% of the customer trade volume in corporate bond transaction as of March 2010 (although in terms of trading amounts, the share of retail investors is still very small).

Causal relationship between the inception of TRACE and the expansion of US corporate bond market during the recent decade should carefully be evaluated due to the existence of “excessive liquidity” against the backdrop of US economy during the period.
Case Study 2: EU – MiFID II – (1)

Video Conference on June 2, 2011

[Guest Speaker]

International Capital Market Association (ICMA) (representing SROs & Industry)
- Mr. A: Senior Director, Market Practice and Regulatory Policy

Association for Financial Markets in Europe (AFME) (representing SROs & Industry)
- Mr. B: Chief Operating Officer
- Mr. C: Managing Director, Capital Markets
- Mr. D: Associate, Capital Markets

Xtrakter (representing capital market information providers)
- Mr. E: Compliance Manager

Case Study 2: EU – MiFID II – (2)

Prior Questionnaire (Issues of Interest)(1)

The European Commission issued a paper for “Consultation on Review of the Markets in Financial Instruments Directive (MiFID)” on December 8, 2010. In line with the context of this consultation paper, we would like to learn the ongoing discussion in Europe regarding the enhanced transparency of (corporate) bond market, focusing on disclosure of pre- and post-trade bond prices.

1. It is our understanding that the recent discussion amongst European regulators reflects on the lessons from the financial crisis and puts greater emphasis on the importance of market transparency. While some would argue the trade-off between liquidity and transparency, how do you think transparency acts on liquidity in the bond market?

2. We recognize that the revision of the MiFID proposed in the consultation paper puts particular emphasis on improving transparency and enhancing market monitoring in the OTC market. While the trading share of the retail investors in the European bond market appears to be very limited, is our understanding that one of keynote objectives of the revised MiFID is to protect retail investors through correcting information asymmetry right?
3. What do institutional investors, who are active players in the market, think of the policy aiming at the enhanced market transparency? What effects can be expected if the disclosure of post-trade bond prices is enhanced?

4. In Japan, as a specific measure to ensure pre-trade transparency, "OTC Bond Trading Reference Prices*" have been published by the JSDA. Please let us know your views on such constant disclosure of quoted prices (mid-price quotations for buys and sells) by broker-dealers meeting certain criteria.

5. Besides the above (4.), what are your views on constant publication of bids/offers quoted by certain market players? Would it be worth consideration?

6. The TRACE system in the United States is now in its tenth year of operation. In the deliberation on the revised MiFID, how is the TRACE assessed as an existing model providing the post trade transparency in the bond market?

* As OTC Trading Reference Prices are calculated and reported as a post-trade price information, this question is not so appropriate. Having said that, they can also be used as a reference for the next day trade. In this sense, they can function as an indicator for pre-trade transparency.

7. CESR (now ESMA) Technical Advice to the European Commission in the context of the MiFID Review, released on July 29, 2010, included the following recommendation concerning post-trade transparency. Reflecting this, what has been done so far?

CESR recommended to the Commission to consider the adoption of a mandatory post-trade transparency regime for corporate bonds in the context of the future MiFID revision. The term "corporate bond" is defined in the CESR proposal as follows:

Corporate Bonds (approximately 43,000 issues)
- Transferable debt securities issued by a private corporation to raise capital with a maturity of at least 12 months,
- Bonds with a prospectus or which are admitted to trading either on a regulated market or MTF, and
- Bonds issued by banks and secured by certain assets (generally mortgages or public sector loans) i.e. "covered bonds"

<table>
<thead>
<tr>
<th>Transaction size (net value)</th>
<th>Information to be published</th>
<th>Timing of publication</th>
</tr>
</thead>
<tbody>
<tr>
<td>€500,000 to €1 million</td>
<td>Price and volume of transaction</td>
<td>As close to real time as possible</td>
</tr>
<tr>
<td>Between €1 million and €5 million</td>
<td>Price and volume of transaction</td>
<td>End of day</td>
</tr>
<tr>
<td>Above €5 million</td>
<td>Price but no volume (with an indication that the transaction has exceeded the €5million threshold)</td>
<td>End of day</td>
</tr>
</tbody>
</table>

* Price means one at which the transaction is concluded. The volume is one of the trade executed.
8. While we heard that the EU Commission would adopt the revised MiFID around mid-May 2011, has it already gone through as scheduled? Based on the revised MiFID, has the Commission already fixed the time schedule for implementation of specific measures to improve the bond market transparency? We would appreciate any information that is available.

9. What are the factors behind the recent rapid expansion of the high-yield bond market in Europe?

Case Study 2: EU – MiFID II – (6)

Current Bond Price Dissemination System in EU

BondMarketPrices.com operated by Xtrakter

- BondMarketPrices.com has been operated by Xtrakter (a price information provider that was initially a division of ICMA engaging in the price information service, sold in 2009 to Euroclear) since the end of 2007. Its purposes is to give users (mainly individual investors) access to the TRAX (Approved Reporting Mechanism (ARM) under article 25 of MiFID) database of trade and price data on various categories of bonds with high liquidity and ratings (remaining period before the expiration of one year or longer, rating of A- or higher, and issuance size of 1 billion Euro or larger) and with a certain transaction volume (transaction volume of 15,000 to 1,000,000 Euro). The highest and lowest prices and median price are announced at 17:30 and the bid/offer prices at the end of the transaction hours are announced at 21:00.

- In Europe, in the wake of the global financial crisis in 2008, a new regulatory system (MiFID II) is expected to be introduced in late 2011 to ensure (and enhance) the transparency of bond transactions. Accordingly, ways to improve and amend BondMarketPrice.com system are now under consideration.
### Case Study 2: EU – MiFID II – (7)

#### Display of BondMarketPrices.com

<table>
<thead>
<tr>
<th>Security Name</th>
<th>Date</th>
<th>High</th>
<th>Low</th>
<th>Median</th>
<th>No trades</th>
<th>Volume</th>
<th>Bid</th>
<th>Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBEY NATIONAL TREASURY 3.125 30/06/2014</td>
<td>EUR 100.97</td>
<td>100.76</td>
<td>100.88</td>
<td>100.84</td>
<td>2</td>
<td>246893</td>
<td>100.76</td>
<td>101.14</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.75% 09/06/2015</td>
<td>EUR 101.64</td>
<td>101.47</td>
<td>101.61</td>
<td>101.59</td>
<td>1</td>
<td>214385</td>
<td>101.36</td>
<td>101.92</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.125 21/10/2015</td>
<td>EUR 98.36</td>
<td>98.15</td>
<td>98.41</td>
<td>98.31</td>
<td>1</td>
<td>969569</td>
<td>98.46</td>
<td>98.96</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 4.00% 14/10/2016</td>
<td>EUR 101.88</td>
<td>101.68</td>
<td>101.96</td>
<td>101.89</td>
<td>1</td>
<td>308380</td>
<td>102.53</td>
<td>103.05</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.875 15/11/2015</td>
<td>GBP 99.16</td>
<td>98.61</td>
<td>99.35</td>
<td>99.02</td>
<td>2</td>
<td>341252</td>
<td>99.09</td>
<td>99.69</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.125 08/06/2015</td>
<td>EUR 100.94</td>
<td>100.94</td>
<td>100.94</td>
<td>100.94</td>
<td>&lt;1</td>
<td>214385</td>
<td>100.76</td>
<td>101.14</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.625 05/10/2017</td>
<td>EUR 98.81</td>
<td>98.81</td>
<td>98.81</td>
<td>98.81</td>
<td>1</td>
<td>122857</td>
<td>98.68</td>
<td>99.35</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.625 14/10/2016</td>
<td>EUR 100.88</td>
<td>100.88</td>
<td>100.88</td>
<td>100.88</td>
<td>1</td>
<td>308380</td>
<td>102.53</td>
<td>103.05</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.875 15/11/2015</td>
<td>EUR 100.13</td>
<td>100.13</td>
<td>100.13</td>
<td>100.13</td>
<td>1</td>
<td>255365</td>
<td>100.83</td>
<td>101.43</td>
</tr>
<tr>
<td>ABBEY NATIONAL TREASURY 3.625 22/06/2020</td>
<td>EUR 102.10</td>
<td>102.10</td>
<td>102.10</td>
<td>102.10</td>
<td>1</td>
<td>153333</td>
<td>101.79</td>
<td>102.31</td>
</tr>
</tbody>
</table>

Average Daily Volumes: JUL2011 Quotes

Average Closing Trade prices: 1-Sep-11

(Source) BondMarketPrices.com as of Sept.1, 2011

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### Case Study 2: EU – MiFID II – (8)

#### MIFID II & Price Transparency

- The Markets in Financial Instruments Directive (MiFID), applied since November 2007, is a core pillar of EU financial market integration.

- Before the global financial crisis in 2008, EU considered that the “market failure” was not detected and the extension of transparency under MiFID to the instruments other than equity was not necessary. However, after the financial crisis, the European Committee of Securities Regulators (CESR) reviewed the transparency of the EU securities market, and recommended to European Commission in July 2009 the requirement of ensuring the transparency for the fixed income markets.

- The European Commission is currently reviewing MiFID and should produce a regulatory proposal to that effect (called MiFID II) in July. After that, it will be discussed by the European Council and the European Parliament throughout 2011 and a large part of 2012.

- The new transparency regime would be achieved through the setting up of new obligations for investment firms, whether trading OTC or on regulated markets or MTFs. It is likely to apply to all bonds and structured products with a prospectus, or which are admitted to trading either on a regulated market or MTF.
Case Study 2: EU – MiFID II – (9)

- The Commission acknowledges that the exact post-trade transparency regime would need to be defined for each asset class and in some cases for each type of instrument within this asset class. The regime would be transaction-based. It would provide data on transactions in terms of price, volume, time of trade, and the main reference characteristics of the traded instrument rather than aggregate data. The transparency regime would be predicated on a system of thresholds and delays, based on transaction size.

- A concrete proposal from the Commission is still forthcoming. However, last summer CESR published their proposal, which usually serves as important input for the Commission’s thinking.

- There is a certain concern that the CESR framework - while easy to understand - does not take sufficient account of the specific characteristics of the Fixed Income markets and therefore could seriously impair the liquidity of the market.

- Although the transparency is encouraged, many market participants are worried about the possible adverse effects of a transparency regime that is not sufficiently calibrated for the specifics of the FI markets.

Case Study 2: EU – MiFID II – (10)

The AFME proposal for a post trade price transparency regime

- Any regime should be built on the right balance between transparency and liquidity.

- AFME is trying to establish appropriate formulae of transparency regime taking into account of the relative liquidity of each instrument across the FI spectrum, by reference to a common set of parameters such as daily average traded volume, average number of tickets per day and outstanding volume.

- Once the relative liquidity of the instrument is determined, the applicable delay (if any) for that instrument will be applied based on that determination of liquidity and the size of the trade.

For example, trades in highly liquid instruments in non-block trading sizes would be reported in real-time, whereas trades in low liquidity instruments in large sizes would be reported with a significant delay in order to protect liquidity in that instrument for the benefit of the customers. The outcome would produce a limited number of liquidity buckets for all instruments. Transparency would be enhanced but market liquidity would be protected by categorizing each trade according to its size and the liquidity of that particular issue.
Case Study 2: EU – MiFID II – (11)

The end result should be a transparent framework that is easy to understand for market participants. Table below provides an example of such a framework.

<table>
<thead>
<tr>
<th>Volume</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-(x) million</td>
<td>EOD</td>
<td>Real-time</td>
<td>Real-time</td>
</tr>
<tr>
<td>(x-y) million</td>
<td>T+a / masked</td>
<td>EOD / masked</td>
<td>Real-time</td>
</tr>
<tr>
<td>&gt;(y)</td>
<td>T+b / masked</td>
<td>T+a / masked</td>
<td>EOD / masked</td>
</tr>
</tbody>
</table>

EOD= End of Day
Masked= masked size above a certain threshold
Other characteristics of the framework could include the masking of the exact size of trades above a certain threshold, special treatment of primary market activity, protection of block trades and the exclusion of trades with a limited remaining maturity

According to Xtrakter’s presentation;

<table>
<thead>
<tr>
<th>Liquidity Level</th>
<th>Gov/Sovereign</th>
<th>Corporate</th>
<th>Structured (ABS/MBS)</th>
<th>CDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real-time (no later than 15 min)</td>
<td>1m&lt; 500k/1m&lt; 5m&lt; 5m&lt; 5m-10m 10m+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EOD</td>
<td>1m-5m 500k/1m-5m 5m&lt; 5m-10m 10m+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EOD Size Market</td>
<td>5m+ 5m+ 5m+ 10m+</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Case Study 3: Korea – B-TRiS – (1)

Presentation Meeting on June 9, 2011

[Guest Speaker]

Korea Financial Investment Association (representing SROs)
- Mr. A: Team Manager, Fixed Income Market Team
Case Study 3: Korea – B-TRiS – (2)

Size of Korean Bond Markets (1)

Case Study 3: Korea – B-TRiS – (3)

Size of Korean Bond Markets (2)

(source) Provided by KOFIA in the occasion of presentation meeting
Inception of B-TRiS (1)

- KOFIA started Bond-Trade Report & Information Service (B-TRiS) in July 2000 which requires bond dealers to report real-time basis post trade information (bond price, trade size, etc.) to KOFIA. KOFIA disseminates this information on its website.
- Current reporting time limit: within 15 min. after the execution of trade (since Dec. 2002)
- Eligible securities: Government bonds, corporate bonds, etc.
- More than 3,500 daily disclosures on average, worth 20 ~23 trillion Won in trading value.
- KOFIA believes the inception of B-TRiS invigorates Korea's OTC bond markets because of an increase in transparency and efficiency.

We should evaluate carefully to which extent B-TRiS contributes to the expansion of the Korea corporate bond market.
III. Conclusion

1. Conclusion from the Case Study

Comparison of Bond Price Dissemination in Each Region

- Japan
  - OTC Bond Trading Reference Prices
- EU
  - MIFID
  - Xtracker
  - BondMarketPrices.com
- Korea
  - New System Under MIFIDII
  - Xtracker
  - BondMarketPrices.com
- US
  - TRACE
  - B-TRIS

Delayed Disclosure ↔ Real Time Disclosure
2. Transparency vs Liquidity

Transparency vs Liquidity Diagram:

- **Transparency**: High → Low
- **Liquidity**: Low → High

- **High Yield**
- **Corporate**
- **US Treasury**
- **JGBs**

3. Impact of Introduction of Upgraded Price Dissemination System (real-time disclosure)

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market</strong></td>
<td><strong>Market</strong></td>
</tr>
<tr>
<td>• Greater transparency of bond price (The market gains trust)</td>
<td>• Possible weakening of market making function (Impeding the trade confidentiality and reducing the risk tolerance for less liquid issues and large-size trades)</td>
</tr>
<tr>
<td>• Global trend (Especially in the competition among Asian countries)</td>
<td>• Possible decrease of liquidity (Weakening of market making function may cause the decrease of liquidity)</td>
</tr>
<tr>
<td>• Market Turmoil (Investors unaware of the trade background of disseminated price / Risky also for broker-dealers to trade bonds referring only to the disseminated trade price which does not necessarily shows the existence of the real demands at that level continuously. They should find at first the real trading demands before making quotes)</td>
<td></td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td><strong>Participants</strong></td>
</tr>
<tr>
<td>• Cost reduction (for buy-side participants)</td>
<td>• Free-riding on information (Impeding appropriate competition for information collection and losing the value-added content of information)</td>
</tr>
<tr>
<td>• As much information as possible is desirable (General belief)</td>
<td>• Impeding trade confidentiality (We can easily imagine who made the traded if the bond issue of trade size is known)</td>
</tr>
</tbody>
</table>

(Source) hearing from the broker-dealer
4. Possible Solution

(Scenario 1) Limited reform for the current Reference Price Regime

In this case;
(1) Upgrading JSDA’s monitoring function
(2) Reviewing the reporting deadline
(3) Disclosing the name of DRMs
(4) Reviewing the eligibility of DRMs (imposing obligation on lead-managers)
(5) Adding large size market players to DRMs
(6) Introducing two tiers deadline
(7) Using the real trade price feedback from JASDEC

(Scenario 2) Fundamental reform (migration to real-time disclosure)

In this case;
(1) Further clarification on the causal relationship between real-time disclosure and activation of corporate bond market (e.g. TRACE, B-TRiS)
(2) Balance between transparency and liquidity
(3) Parallel measure for greater liquidity such as enlarging the issue size